

Center Line, Michigan



Comprehensive Annual Financial Report
June 30, 2013

CITY OF CENTER LINE, MICHIGAN

Comprehensive Annual Financial Report
Year Ended June 30, 2013

**Prepared by:
Treasurer's Office**

**Stephen R. Adair, II, CGFM
Director of Finance /**

Treasurer

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City of Center Line
Comprehensive Annual Financial Report
Year Ended June 30, 2013

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INTRODUCTORY SECTION



Municipal Offices
David W. Hanselman
Mayor

John B. Michrina
City Manager

October 22, 2013

The Honorable Mayor and
Members of the City Council
City of Center Line
Center Line, Michigan

The Treasurer's and City Manager's Offices are pleased to submit the Comprehensive Annual Financial Report for the City of Center Line, Michigan for the fiscal year ended June 30, 2013.

This report is published to provide the City Council, City staff, our residents, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To assure interested parties have reliable information, a system of internal controls is implemented. These internal controls are designed to detect irregularities in the accounting system. The controls are designed to assure a reasonable level of oversight. While no system of controls can test and examine every financial event, the controls implemented give a high level of confidence that no material misrepresentations are given.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Center Line's MD&A can be found immediately following the report of the independent auditors.

THE REPORTING ENTITY AND ITS SERVICES

Location

The City of Center Line is a second ring suburb of the metropolitan Detroit region, located in Macomb County, Michigan, and has a population of approximately 8,300. The city is located ten miles north of downtown Detroit and is centrally located along U.S. Interstate 696 and just one mile from U.S. Interstate 75, making the city an ideal location for industry and commerce. Among the City's most famous manufacturing businesses is Mopar world headquarters, a subsidiary of Chrysler Group, LLC, as well as Whitlam Label Company. Mopar makes performance automotive parts for the full line of Chrysler vehicles. Whitlam Label Company is a major worldwide supplier of all vehicle information stickers found on nearly every major vehicle line in the United States and internationally.

Center Line is a Home Rule City with a City Manager/Council form of government. The city has five City Council members who are selected at large for overlapping four (4) year terms. The Council enacts local ordinances, determines policies, and adopts the annual budget. The Council appoints the City Manager/Clerk, Public Safety Director, and City Finance Director/Treasurer. The Basic Financial Statements of the city include all government activities, organizations and functions for which the City is financially accountable as defined by the Governmental Accounting Standards Board.

Services Provided

The City provides a full range of municipal services including public safety protection, refuse and recycling collection, water, sanitary sewer, storm sewer, streets, infrastructure development and maintenance, park and recreational facilities, library services and general administrative services.

The component unit included in the City's financial report is the Downtown Development Authority (the Authority). The Authority is legally defined and included in sections of the financial reports as appropriate. The Authority was formed to allow greater opportunities to improve the central business district through tax capture and grant funding.

The annual budget serves as the foundation for the City of Center Line's financial planning and control. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been formally adopted. For the general fund, this comparison begins on page 32 as required supplementary information. For other governmental funds other than the general fund, with appropriated annual budgets, this comparison is presented either as required supplementary information (for major funds), starting on page 34, or other supplementary information (for nonmajor funds), starting on page 42.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Center Line operates.

Local Economy

The City of Center Line boasts a strong industrial base, founded on the region's iconic motor vehicle industry. Also of note is the City's business district along Van Dyke Avenue, also known as Michigan Highway 53. The avenue boasts many businesses that have called Center Line home for generations. Binson's Home Health Care Supplies, a well-known business with stores throughout metropolitan Detroit, began with a single store in Center Line. Ed Rinke Chevy, Buick, and GMC has been a staple along Van Dyke Avenue for generations.

Center Line's business community is steeped in history and deeply intertwined with the automotive industry, but what truly makes Center Line special is its residents. Despite being part of a large metropolitan region, Center Line is the kind of city where everyone knows their neighbors and where community involvement is typical, not the exception. Whether it be the city's annual fireworks show, the high school football games at the park each fall, the City's annual open house, or the Beautification Committee out in the community planting flowers, there is usually something going on in Center Line that connects people and provides a sanctuary from the sometimes hectic, fast-paced world outside the City's limits.

Historically, blue collar factory workers and their families have called Center Line their home. Today, Center Line is still deeply rooted in the tradition of being a community that provides a safe, friendly place to call home. Whether it be an apartment, multi-family home, or traditional home, Center Line has a wide variety of properties from which potential residents can choose.

Long-term Financial Planning

Each February, city management presents a five year financial forecast, which aids the Council in developing long-term budgetary goals. For the five year financial forecast presented in February 2013, it was recommended by management that the city begin to make contributions towards its other post-employment benefits (OPEB) obligation. As the forecast showed, annual employee legacy costs are projected to rise to approximately 35% of total city expenditures by fiscal year 2018.

Council elected to begin to make contributions to its OPEB Investment Trust Fund, which as of the date of this report has increased the funding ratio of the Trust from 0.1 percent in June 2012 to 7.5 percent as of June 2013. This increase reflects total contributions in excess of invoiced obligations (i.e., pay-as-you-go) in the amount of \$1,817,441. The aggressive funding plan is key to the City's long-term fiscal stability as the projected investment income from the principal invested today will be used in future years to supplement the general fund budget when legacy costs otherwise become insurmountable.

MAJOR INITIATIVES

Biennial Budget

The City developed a Biennial Budget covering fiscal years 2014 and 2015. In an economic environment where stability is a key concern, the City moved to better understand the long-term financial implications of immediate-term financial decisions when it was decided to undertake the development of the Biennial Budget. The budget document spans 146 pages and covers every aspect of the financial operation of a city, including budget planning and forecasting, the city's operating budget, a debt analysis, a position budget, capital improvement budget, and informational financial plans for the city's investment trusts.

A key goal during the development of the Biennial Budget was to create a document that was accessible and easy to read despite its girth. This goal was accomplished by developing a 'dashboard' of key graphical information for each fund and department in the city. Most importantly, the development of the Biennial Budget forced every department to look further into the future than it had in previous years, which was instrumental in creating a stable city budget through fiscal year 2015.

Cross-Training of Public Works Employees as On-Call Firefighters

Continuing to look for creative and innovative ways to increase the level of service to its residents, City management and the union representing the public works employees came to agreement on the cross-training of public works employees as on-call firefighters. The cross-training is voluntary. To date, one public works employee has completed the necessary cross-training and was awarded 'best overall student' in his class at the Macomb County Community College Fire Academy. The employee now holds a Firefighter I and II certification.

With full-time city employees at public works available to respond to fires, response times will decrease and total personnel on-site at a fire will increase, which are both significant factors in successful firefighting. In recognition of this innovative program, the City of Center Line was awarded a Macomb County Innovative Government Award in January, 2013.

Downtown Development Authority / Beautification Committee Partnership

The Downtown Development Authority (DDA) partnered with the Beautification Committee to add much needed greenery to the city's main boulevards, Van Dyke and Ten Mile Road. The DDA provided funding for hanging baskets and other landscaping supplies as well as a seasonal part time worker to maintain the hanging flower baskets, flower gardens and other green spaces along the two roads. At a cost of approximately \$15,000, the program had a much bigger impact on the appearance of the city than it did on the DDA's budget.

Capital Improvement Plan

The City developed a capital improvement plan as part of the City's Biennial Budget covering fiscal years 2014 and 2015. The plan continued the City's investment in its vehicle fleet and buildings that began in fiscal year 2012 and 2013.

In fiscal year 2013, the City's capital improvement plan allowed the city to perform much needed repairs on the parks and recreation parking lots and the library parking lots, which cost \$9,333. Additionally, all municipal buildings received a full replacement of all lighting fixtures with high efficiency lighting fixtures, which is expected to save the city between 10 percent and 20 percent annually on electric utility costs. The cost of the project was \$16,520 and the project is estimated to 'break even' within the next two to three years. Finally, the Public Safety Department purchased an in-car video system at a cost of \$59,808 as well as new dispatch consoles in the amount of \$8,685. Both of these equipment upgrades will improve the quality of service provided to our residents.

Subsequent to the end of the 2013 fiscal year, the City of Center Line was awarded the Assistance to Firefighters grant in the amount of \$276,280. The grant, which was budgeted in the Biennial Budget's capital improvement plan, will aid the city in replacing fire hoses, turnout gear, fire helmets, SCBA air packs, and NFPA face pieces nearing the end of useful service life. Other capital improvements scheduled for 2014 include a new public safety vehicle as well as a replacement of a public works salt box nearing the end of its useful service life. Finally, the City is administering a road repair and reconstruction program in fiscal year 2014 which will cost approximately \$500,000. The funding for the project is exclusively from the city's restricted fund balances in its Major and Local Street Funds.

With contributions made from the general fund in fiscal years 2012 and 2013, the Capital Improvement Plan is fully funded through 2018. No financing will be required under the current Plan.

OTHER INFORMATION

SEC Disclosure under Rule 15c2-12

Securities and Exchange Commission (SEC) Rule 15c2-12 requires that issuers of municipal securities undertake to provide certain annual financial information to various information repositories. In recognition that a CAFR is an appropriate disclosure document for providing information useful to existing and potential investors in the secondary market, and in order to meet our obligation to provide periodic disclosure for the secondary market as required by Rule 15c2-12, the City of Center Line has elected to include in this CAFR tables providing quantitative data on those activities which require such disclosure. Those tables can be found in the statistical section of the CAFR.

Independent Audit

The city charter requires an annual audit of the books of account, financial records, and transactions of all administrative departments of the city by independent certified public accountants selected by the City Council. This requirement has been complied with, and the independent auditor's report has been included in this report.

Awards and Acknowledgments

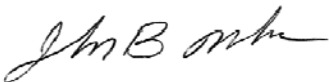
The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to governments that publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Center Line for its comprehensive annual financial report for the fiscal year ended June 30, 2012. This was the first year the City received this award. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for the certificate.

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Treasurer's Office and Front Office staff. We also wish to express our sincere appreciation to City Department Heads throughout the organization, especially those who were instrumental in the successful completion of this report.

We would like to thank the members of the City Council for their interest and support in planning and conducting the financial operation of the City in a responsible and progressive manner.

Respectfully submitted,



John B. Michrina
City Manager and Clerk



Stephen R. Adair, II, CGFM
Director of Finance and Treasurer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Center Line
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

City of Center Line
Comprehensive Annual Financial Report
Year Ended June 30, 2013
LIST OF CITY OFFICIALS

CITY COUNCIL

David Hanselman, Mayor

Ronald Lapham, Mayor Pro-Tem

Robert Binson

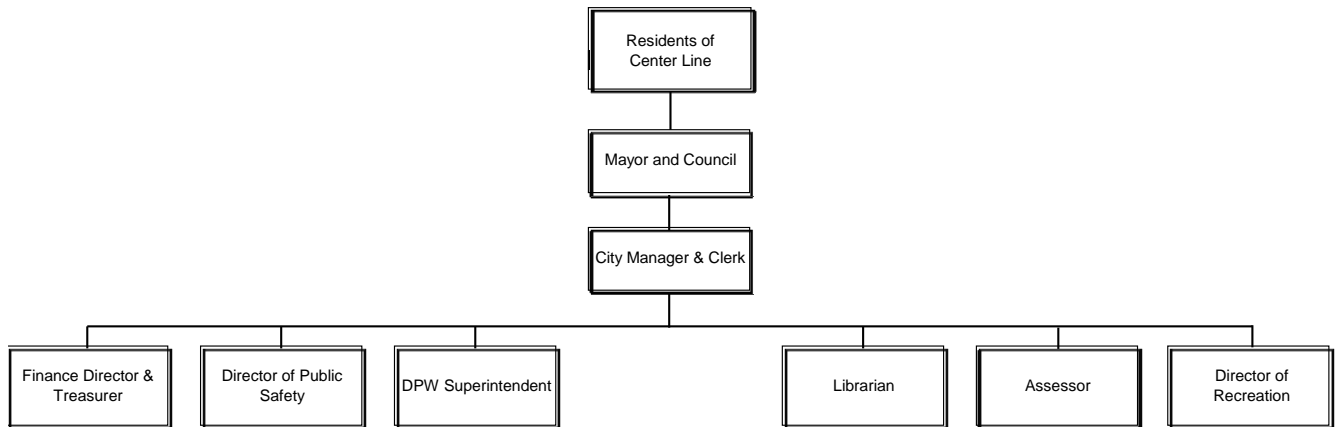
Nicholas Chakur

Mary Hafner

CITY MANAGER AND CLERK
John B. Michrina

DIRECTOR OF FINANCE AND TREASURER
Stephen R. Adair, II, CGFM

City of Center Line
Organizational Chart
2012 - 2013



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FINANCIAL SECTION

Independent Auditors' Report

City Council and Management
City of Center Line
Center Line, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Center Line, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Center Line, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Principles:

As described in Note A to the financial statements, during the year ended June 30, 2013, the City adopted new accounting guidance, GASB Statements No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*; GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*; and No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to this matter.

Other Matters:***Required Supplemental Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Center Line's basic financial statements. The introductory section, list of elected and appointed officials, statistical section, and other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplemental information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, list of elected and appointed officials and statistical section, which are the responsibility of management, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2013 on our consideration of the City of Center Line's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Center Line's internal control over financial reporting and compliance.

Geo & Geo, P.C.

October 22, 2013
Saginaw, MI

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MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

The following is a discussion and analysis of the City of Center Line's financial performance and position, providing an overview of the activities for the fiscal year ended June 30, 2013. This analysis should be read in conjunction with the *Independent Auditors Report*, beginning on page viii of this report, our letter of transmittal on pages i through iv, and with the City of Center Line's financial statements, which follow this section. This discussion provides comparisons with the previous fiscal year as required by the Governmental Accounting Standards Board.

FINANCIAL HIGHLIGHTS

Government-wide:

- Total net position or the amount assets and deferred outflows exceeded liabilities, were \$12,056,756 at the close of 2013 (excluding component units). This is an increase of \$1,953,243 or 19.33% compared to 2012.
- Governmental activities net position was \$361,649 for 2013. This is an increase of \$1,290,669 or 138.93% compared to 2012.
- Business-type activities net position was \$11,695,107. This is an increase of \$662,574 or 6.00% compared to 2012.
- Component unit net position was \$729,852. This is a decrease of \$7,012 or 0.95% compared to 2012.

Fund Level:

- At the close of the fiscal year, the City of Center Line's governmental funds reported a combined ending fund balance of \$3,449,421, an increase of \$714,414 or 26.12% over 2012. Of this amount, \$158,535 was classified as nonspendable, \$881,325 was classified as restricted, \$132,214 was classified as committed, \$677,347 was classified as assigned, and \$1,600,000 was classified as unassigned. The increase in fund balance reflects a reduction in labor costs as well as an increase in restricted funds in the major and local street funds which will be spent during fiscal year 2014 as part of the City's road repair and replacement program.
- The General Fund's overall fund balance decreased \$124,171 over 2012. The decrease in fund balance was the result of the City's decision to contribute to its other post-employment benefit (OPEB) investment trust fund from the General Fund in the amount of \$1,069,819. No contribution had been made in the previous fiscal year.

Capital and Long-term Debt Activities:

- The primary government (governmental activities) issued no new debt for the fiscal year.
- The total long-term debt for the primary government (governmental activities) was \$879,068 with a net decrease of \$119,739 from the prior year.
- The total long-term debt for the primary government (business-type activities) was \$9,959,943 with a net decrease of \$553,149 from the prior year.
- The City of Center Line remains well below its authorized legal debt limit.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report of the City of Center Line consists of the following components: 1) *Independent Auditors Report*; 2) *Management' Discussion and Analysis* and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), *Required Supplementary Information* such as budget to actual comparisons for the General Fund and major Special Revenue Funds, and *Other Supplementary Information* including combining financial statements for all nonmajor governmental funds, budget to actual comparisons for all nonmajor governmental funds, and combining financial statements for all fiduciary funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

Government-wide Financial Statements (Reporting the City of Center Line as a Whole)

The set of government-wide financial statements are made up of the Statement of Net Position and the Statement of Activities, which report information about the City of Center Line as a whole, and about its activities. Their purpose is to assist in answering the question, is the City of Center Line, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Position (page 1) presents all of the City of Center Line's assets and deferred outflows, less liabilities and deferred inflows, the difference of which is known as "net position". Over time, increases or decreases in net position measure whether the City of Center Line's financial position is improving or deteriorating.

The Statement of Activities (page 2) presents information showing how the City of Center Line's net position changed during the current fiscal year. All changes in net position are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Both statements report the following activities:

- **Governmental Activities** - Most of the City of Center Line's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the City of Center Line's general government departments such as public safety, the City Council, public works, recreation and library programs are reported under these activities. This also includes the activities such as the Major and Local street maintenance, Drug Enforcement, and Tax Reversion Rehabilitation programs.
- **Business-type Activities** - These activities operate like private businesses. The City of Center Line charges fees to recover the cost of the services provided. The City of Center Line's Water & Sewer Fund and the Solid Waste Disposal Fund are examples of such activities.
- **Discretely Presented Component Unit** – The Downtown Development Authority is a Discretely Presented Component Unit and is a legally separate organization for which the City of Center Line's City Council appoints the Authority's board and there is a degree of financial accountability to the City of Center Line.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 5 and 7 present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental funds; however, depreciation expense is reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Long-term liabilities, such as reserves for sick and annual leave (compensated absences), etc. appear as liabilities on the government-wide statements; however, they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Bond proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

In addition, it should be noted that the government-wide financial statements include the net value of the City of Center Line's general capital assets such as buildings, land, equipment, improvements, etc. These values are not included in the fund financial statements.

Fund Financial Statements (Reporting the City of Center Line's Major Funds)

The fund financial statements, which begin on page 4, provide information on the City of Center Line's significant (major) funds, and aggregated nonmajor funds. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City of Center Line uses to keep track of specific sources of funding and spending for a particular purpose. State law or policy requires some separate funds, such as funds required by grant agreements. Funds are also utilized to track specific operations; these include the enterprise funds, which include the Water & Sewer Fund as well as the Solid Waste Disposal Fund.

The *basic financial statements* report major funds as defined by the Governmental Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for City of Center Line include the General Fund, Public Safety Fund, Debt Service Fund, and the Water & Sewer Fund. All other funds are classified as nonmajor funds and are reported in aggregate by the applicable fund type. The City of Center Line includes detailed information on its nonmajor funds in other supplementary sections of this report.

The City of Center Line funds are divided into three categories - governmental, proprietary, and fiduciary - and use different accounting approaches:

- **Governmental Funds** - Most of the City of Center Line's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the City of Center Line's programs. Governmental funds include the *General Fund*, as well as *Special Revenue Funds* (use of fund balance is restricted), and *Capital Projects Funds* (used to report major capital acquisitions and construction).
- **Proprietary Funds** - Services for which the City of Center Line charges customers a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. The City has one type of proprietary fund. *Enterprise funds* report activities that provide supplies and/or services to the general public, such as the Water & Sewer Fund and the Solid Waste Disposal Fund.
- **Fiduciary Funds** - The City of Center Line acts as a trustee or fiduciary in certain instances. The City of Center Line fiduciary activities are reported in separate statements of Fiduciary Net Position on page 11, Statement of Changes in Fiduciary Net Position on page 12, and Statement of Changes in Assets and Liabilities beginning on page 49. These funds are reported using the accrual basis of accounting. The government-wide statements *exclude* the fiduciary fund activities and balances because these assets are not available to the City of Center Line to fund its operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 13 of this report.

Required Supplementary Information

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes budgetary comparison schedules for the General Fund and the major special revenue funds as well as the Schedule of Funding Progress and Employer Contributions for the Police and Fire Defined Benefit Pension Plan.

Other Supplementary Information

Other Supplementary Information includes combining financial statements for nonmajor governmental, proprietary, and fiduciary funds. These funds, except for the fiduciary funds, are added together, by fund type, and are presented in aggregate single columns in the appropriate basic financial statements.

FINANCIAL ANALYSIS OF THE CITY OF CENTER LINE AS A WHOLE

As previously stated, the City of Center Line's combined net position was \$12,056,756 at the end of this fiscal year's operations. The net position of the governmental activities was \$361,649; the net position of business-type activities was \$11,695,107.

Net Assets as of June 30, 2013 and 2012

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Current and other assets	\$ 4,219,804	\$ 3,626,523	\$ 1,967,450	\$ 2,208,105	\$ 6,187,254	\$ 5,834,628
Capital assets	3,508,022	3,556,474	20,074,200	20,286,415	23,582,222	23,842,889
Total assets	7,727,826	7,182,997	22,041,650	22,494,520	29,769,476	29,677,517
Deferred Outflows of Resources						
Deferred Charges	-	-	248,055	-	248,055	-
Liabilities						
Current	725,238	803,933	1,357,119	1,201,383	2,082,357	2,005,316
Noncurrent	6,640,939	7,308,084	9,237,479	10,260,604	15,878,418	17,568,688
Total liabilities	7,366,177	8,112,017	10,594,598	11,461,987	17,960,775	19,574,004
Net Position						
Net investment in capital assets	2,739,216	2,643,560	10,024,386	9,773,323	12,763,602	12,416,883
Restricted	881,325	796,542	-	-	881,325	796,542
Unrestricted	(3,258,892)	(4,369,122)	1,670,721	1,259,210	(1,588,171)	(3,109,912)
Total net position	\$ 361,649	\$ (929,020)	\$ 11,695,107	\$ 11,032,533	\$ 12,056,756	\$ 10,103,513

The increase of \$1,953,243 from 2012 to 2013 in total primary government net position was mainly the result of the City's decision to contribute \$2,942,595 to its other postemployment benefits (OPEB) obligation, which led to a net decrease of \$1,218,842 in the OPEB obligation from 2012 to 2013. Additionally, the City fiscal position continues to benefit from the passage of the Public Safety operating millage, originally passed by the voters in August 2011.

City of Center Line

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

Changes in Net Assets for the Fiscal Year Ended June 30, 2013 and 2012

The condensed financial information below was derived from the government-wide Statement of Activities and reflects how the City of Center Line's net position changed between fiscal years 2012 and 2013:

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenue:						
Charges for services	\$ 1,064,948	\$ 991,806	\$ 2,984,512	\$ 3,226,837	\$ 4,049,460	\$ 4,218,643
Operating grants and contributions	552,424	535,260	-	-	552,424	535,260
Capital grants and contributions	212,552	657,881	-	-	212,552	657,881
General revenues:						
Property taxes	6,648,366	5,954,228	-	-	6,648,366	5,954,228
State Revenue Sharing	835,099	805,267	-	-	835,099	805,267
Investment earnings	19,470	8,807	1,942	2,055	21,412	10,862
Miscellaneous	779,682	594,910	-	-	779,682	594,910
Total revenues	10,112,541	9,548,159	2,986,454	3,228,892	13,098,995	12,777,051
Expenses						
General government	2,132,772	3,153,088	-	-	2,132,772	3,153,088
Public safety	3,927,324	4,321,094	-	-	3,927,324	4,321,094
Public works	1,172,768	1,453,464	-	-	1,172,768	1,453,464
Community and economic development	140,796	84,166	-	-	140,796	84,166
Recreation and cultural	532,596	745,228	-	-	532,596	745,228
Water and sewer	-	-	2,905,293	2,923,094	2,905,293	2,923,094
Solid waste disposal	-	-	306,917	313,225	306,917	313,225
Interest on long-term debt	27,286	30,267	-	-	27,286	30,267
Total expenses	7,933,542	9,787,307	3,212,210	3,236,319	11,145,752	13,023,626
Excess revenues over (under) expenses before transfers	2,178,999	(239,148)	(225,756)	(7,427)	1,953,243	(246,575)
Transfers	(888,330)	(596,141)	888,330	596,141	-0-	-0-
Change in net position	1,290,669	(835,289)	662,574	588,714	1,953,243	(246,575)
Net position (deficit), beginning of year	(929,020)	(93,731)	11,032,533	10,443,819	10,103,513	10,350,088
Net position (deficit), end of year	\$ 361,649	\$ (929,020)	\$11,695,107	\$11,032,533	\$12,056,756	\$10,103,513

Governmental Activities:

The result of fiscal year 2013 governmental activity was an increase of \$1,290,669 in net position to \$361,649. Of the total governmental activities' net position, \$2,739,216 represents the net investment in capital assets, \$881,325 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the City of Center Line's government. The remaining net deficit position of \$(3,258,892) is listed as unrestricted, having no legal commitment.

City of Center Line

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

Revenues:

The three largest revenue categories were property taxes at 65.7%, charges for services at 10.5% and state revenue sharing at 8.3%.

Expenses:

Public safety was the largest governmental activity with over \$3.9 million spent of the \$7.9 million total expenditures. Public safety costs include expenses associated with current public safety operations as well as retiree medical benefits. Also included is the City's annual obligation to the Police and Fire Retirement System, which is determined by an outside actuarial valuation each year.

General government is the second largest governmental activity, expending just over \$2.1 million. This includes administration, elections and other legislative expenses, district court costs, as well as utility costs associated with municipal buildings. Public works is the third largest governmental activity, expending \$1.1 million. Public works expenses include routine maintenance of city structures and parking lots, major and local street repair and replacement projects, as well as state trunk line maintenance expenses.

Business-type Activities:

Net position in business-type activities increased by \$662,574 during fiscal year 2013. The result exceeded the previous year's net position increase of \$588,714. The increase was mainly due to the transfer into the Water and Sewer Fund as a result of increased debt service obligations, which were paid by the Water and Sewer Fund with the transfer proceeds. Also, wages decreased by \$112,773 as a result of reductions in the labor force due to retirements and subsequent elimination of the positions vacated.

Of the total \$11.7 million of net position in the business-type activities, \$1.7 million is reported as unrestricted, and \$10.0 million is the net investment in capital assets.

FINANCIAL ANALYSIS OF THE CITY OF CENTER LINE'S MAJOR AND NONMAJOR FUNDS

As the City of Center Line completed fiscal year 2013, its governmental funds reported *combined* fund balances of \$3,449,421. The net changes are summarized in the following chart:

	General Fund	Public Safety Fund	Debt Service Fund	Nonmajor Governmental Funds
Fund Balance 6/30/13	\$ 1,827,397	\$ 328,343	\$ 104,306	\$ 1,189,375
Fund Balance 6/30/12	\$ 1,951,568	\$ -	\$ -	\$ 783,439
Net Change	\$ (124,171)	\$ 328,343	\$ 104,306	\$ 405,936

The General Fund balance decreased by \$124,171. This is primarily due to the City's decision to make a contribution from the General Fund to the City's Other Postemployment Benefit (OPEB) Investment Trust in the amount of \$1,069,819. Under the *modified accrual basis of accounting*, which is used at the fund level, this contribution is shown as an expense in the current fiscal year. The benefit to the City as a result of this contribution is a reduction in the OPEB obligation, which is shown as a liability on the City's statement of net position, which is presented under the *accrual basis of accounting*.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

In accordance with state statutes, the City established the Public Safety Fund in 2012 in order to properly account for the Public Safety Millage. While the millage did raise approximately \$1.3 million in 2013, the Public Safety Fund still had a funding shortfall of \$770,900, which was covered by the City's operating millage via a transfer of the shortfall between the two funds. The fund ended the year with a fund balance, of which \$265,309 was restricted for retiree healthcare benefits, and \$63,034 of which were nonspendable.

In order to create more transparent financial reporting, the City established the Debt Service Fund in 2013 to account for debt service millage revenues and associated debt service principal and interest apart from the General Fund. The fund is self-sustaining as the debt service millage is levied each year in order to collect an amount equal to debt service payments due for that fiscal year. The fund ended the year with a fund balance, the entire balance of which was restricted for future debt service payments.

General Fund:

The General Fund is the chief operating fund of the City of Center Line. Unless otherwise required by statute, contractual agreement, or Council policy, all City of Center Line revenues and expenditures are recorded in the General Fund. As of June 30, 2013, the General Fund reported a fund balance of \$1,827,397. This amount is a decrease of \$124,171 from the fund balance of \$1,951,568 reported as of June 30, 2012. Of the total fund balance, \$95,183 is nonspendable and \$132,214 is committed.

General Fund Budgetary Highlights:

The City of Center Line's budget is a dynamic document. Although adopted in June (prior to the start of the fiscal year), the budget is frequently amended during the course of the fiscal year to reflect changing operational demands.

General Fund revenues and other financing sources totaled \$5,637,226; \$47,275 over the final amended budget. The overage was the result of higher than initially expected state shared revenue as well as higher than anticipated court fine revenues.

The City of Center Line's expenditures and other financing uses totaled \$5,761,397; \$279,445 less than the final amended budget. The City's Public Works department was under budget by \$88,012, which was the result of the retirement of a full time employee which was subsequently replaced by a part time employee at a lower total cost. Also, the City's Other General Government functions were under budget by \$57,500, which was the result of lower than anticipated information technology costs as well as lower than budgeted Michigan Tax Tribunal refund costs.

In the current fiscal year, the City was out of compliance with Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, which provides that a local governmental unit not incur expenditures in excess of the amounts appropriated. The City passed its budget in the General Fund at the activity level. The City's district court costs of \$424,977 exceeded budgeted amounts by \$69,227.

The overage was the result of the current methodology of allocated costs, which provides for the percentage of allocated costs to be determined based upon the volume of court cases, which is calculated after the City's fiscal year end. Costs are currently divided by case load between the City of Warren and the City of Center Line. Center Line's allocated costs unexpectedly increased from 6.7% in fiscal year 2012 to 8.3% in fiscal year 2013, an increase of 23.88%. As City officials did not learn of the higher than expected allocated costs until after the fiscal year, the City could not amend its budget to account for the increase.

Public Safety Fund:

Public Safety Fund revenues and other financing sources totaled \$2,880,337; \$41,386 over the final amended budget. Public Safety Fund expenditures totaled \$3,322,894; \$79,696 less than the final amended budget. Beginning on July 1, 2012, the Public Safety Department began twelve hour shifts for its personnel, which reduced overtime expenses. Another significant factor in operations was the retirement of two public safety officers. While both officers were replaced upon their retirement, there was a savings to the City as a result of lower starting wage rates for new the new officers.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

Debt Service Fund:

The Debt Service Fund was new in fiscal year 2013. In previous fiscal years, debt service payments and related transfers out to the Water and Sewer Fund for this purpose had been made from the General Fund. Debt Service Fund revenues totaled \$1,305,003 while outgoing debt service payments and transfers out to the Water and Sewer Fund for the purpose of making debt service payments totaled \$1,035,872. In addition to debt service payments, the Debt Service Fund reimbursed the General Fund \$164,825, which represented the cumulative deficit from prior periods between debt millage tax revenues and funds used to make debt service payments. The Debt Service Fund ended the year with a restricted fund balance of \$104,306, which will be used to meet future debt service obligations.

Water & Sewer Fund:

The Water & Sewer Fund net assets increased by \$625,479 from the prior year. Operating revenues, comprised solely of charges for services, showed a decrease of \$266,468, or 10.1%. Operating expenses decreased by \$106,958. Net non-operating expenses increased by \$89,297 due primarily to the repayment of previously received unused grant funds.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2013, the City of Center Line had invested \$3,508,022 and \$19,984,329 (net of accumulated depreciation) for governmental and business-type capital assets, respectively. Accumulated depreciation was \$4,609,906 for the governmental activities and \$6,482,265 for the business-type activities. Depreciation charges for the fiscal year totaled \$221,885 for the governmental activities and \$485,743 for the business-type activities.

Significant additions to capital assets during the year included the purchase of a generator, an in-car video system for all public safety vehicles, additions to the library book collection, and continued improvements to the water and sewer systems. For more detailed information related to capital assets, refer to Note D to the financial statements.

The summary of capital assets below shows the net capital assets for both governmental and business-type activities as of June 30, 2013.

	Governmental Activities	Business Type Activities	Total
Land	\$ 1,445,365	\$ -	\$ 1,445,365
Buildings and Improvements, net	1,225,333	687,662	1,912,995
Machinery and Equipment, net	709,917	712,782	1,422,699
Land Improvements, net	127,407	-	127,407
Water and Sewer System, net	-	18,583,885	18,583,885
Capital assets, net	\$ 3,508,022	\$ 19,984,329	\$ 23,492,351

Long-term Debt - As of June 30, 2013, the City of Center Line had \$10,839,011 in bonds and compensated absences outstanding. Of this amount, \$10,728,749 is bonds and \$110,262 is compensated absences. This level of net obligation is \$672,888 less than the obligation recorded as of June 30, 2012. For more detailed information related to long-term debt, refer to Note E to the financial statements.

City of Center Line

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

Outstanding Debt as of June 30, 2013:

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>
Governmental Activities				
Bonds	\$ 888,287	\$ -	\$ 119,481	\$ 768,806
Installment purchase agreements	24,627	-	24,627	-
Compensated absences	85,893	182,016	157,647	110,262
Total Governmental Activities	998,807	182,016	301,755	879,068
Total Business-Type Activities - Bonds	10,513,092	211,456	805,519	9,959,943
Total Primary Government	<u>\$ 11,511,899</u>	<u>\$ 393,472</u>	<u>\$ 1,107,274</u>	<u>\$ 10,839,011</u>
Debt Limit (10% of SEV)				\$ 17,362,837
Available Statutory Debt Limit				\$ 11,270,245

Limitations on Debt:

State statute limits the City of Center Line's debt obligations to 10 percent of the current state equalized value (SEV). The City of Center Line's SEV as of June 30, 2013, was \$174 million; therefore, the City of Center Line's debt limitation was \$17.4 million. The City of Center Line remains below its legal debt limit by approximately \$11.3 million. The City's computation of the legal debt limit is shown in the statistical section of this report.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS & EFFECTS

The State of Michigan's economic conditions, while improving slightly at the state level and in the private sector, are still challenging at the local government level. This is mainly due to taxable value declines that will effectively never be recovered because of state statutes, such as Proposal A and the Headlee Amendment. While the City benefited from the first increase in State shared revenues in over ten years, property taxes have decreased significantly over the last ten years. While the decline in these revenues have been lower in recent years, the City still needs to evaluate potential opportunities to gain revenues from alternate sources as well as seek ways to streamline operations in order to decrease expenses.

In December of 2012, the City's Public Safety Department unions voted to permanently accept the move to twelve hour shifts, which was a factor in the lower costs department-wide. Additionally, the City transitioned the full-time Parks and Recreation Director position to part-time status. Programs and services provided at the department remained unchanged while the department was able to save approximately \$30,000 during the current fiscal year.

The City anticipates continuing declines in property tax revenues through 2017 per the City's most recently completed five year financial forecast, which covers fiscal years 2014 through 2018. The largest contributing factor to the expected decline is Public Acts 397 through 403 of 2012, *Personal Property Tax Reform*. Under these reforms, up to 19 percent of the City's total tax base would be eliminated via the elimination of taxes on industrial personal property, although a recent City analysis shows that approximately 80 percent of the lost funds would be recovered via an Essential Services Assessment (ESA) established in order to replace the lost funds as outlined under Public Acts 404 and 406 through 408 of 2012. All of these significant potential changes are subject to a state-wide referendum in August 2014, but City management has begun to plan for this potential change.

City of Center Line

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

CONTACTING THE CITY OF CENTER LINE

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City of Center Line's finances and to demonstrate the City of Center Line's accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the City of Center Line Treasurer's Office at (586) 757-6800 or via email: sadair@centerline.gov.

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BASIC FINANCIAL STATEMENTS

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City of Center Line

STATEMENT OF NET POSITION

June 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 3,500,506	\$ 1,187,061	\$ 4,687,567	\$ 732,891
Receivables				
Accounts	70,581	-	70,581	-
Property taxes	55,491	-	55,491	-
Customers	-	774,469	774,469	-
Other governmental units	291,434	-	291,434	-
Assets held for sale	113,425	-	113,425	-
Prepays	158,535	5,920	164,455	-
Investment in joint ventures	29,832	-	29,832	-
Total current assets	4,219,804	1,967,450	6,187,254	732,891
Noncurrent assets				
Other postemployment benefit asset	-	89,871	89,871	-
Capital assets not being depreciated	1,445,365	-	1,445,365	-
Capital assets, net of accumulated depreciation	2,062,657	19,984,329	22,046,986	-
Total noncurrent assets	3,508,022	20,074,200	23,582,222	-0-
TOTAL ASSETS	7,727,826	22,041,650	29,769,476	732,891
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges, net of amortization	-	248,055	248,055	-
LIABILITIES				
Current liabilities				
Accounts payable	455,010	337,601	792,611	2,826
Accrued liabilities	76,345	2,522	78,867	213
Accrued interest payable	4,362	46,477	50,839	-
Unearned revenue	42,474	-	42,474	-
Current portion of compensated absences	27,566	-	27,566	-
Current portion of long-term debt	119,481	970,519	1,090,000	-
Total current liabilities	725,238	1,357,119	2,082,357	3,039
Noncurrent liabilities				
Noncurrent portion of compensated absences	82,696	-	82,696	-
Noncurrent portion of long-term debt	649,325	9,237,479	9,886,804	-
Other postemployment benefit obligations	5,908,918	-	5,908,918	-
Total noncurrent liabilities	6,640,939	9,237,479	15,878,418	-0-
TOTAL LIABILITIES	7,366,177	10,594,598	17,960,775	3,039
NET POSITION				
Net investment in capital assets	2,739,216	10,024,386	12,763,602	-
Restricted for:				
Drug law enforcement	3,005	-	3,005	-
Streets	508,705	-	508,705	-
Postemployment benefits	265,309	-	265,309	-
General obligation debt service	104,306	-	104,306	-
Unrestricted (deficit)	(3,258,892)	1,670,721	(1,588,171)	729,852
TOTAL NET POSITION	\$ 361,649	\$ 11,695,107	\$ 12,056,756	\$ 729,852

See accompanying notes to the financial statements.

City of Center Line
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 2,132,772	\$ 760,782	\$ 33,651	\$ -
Public safety	3,927,324	217,342	56,655	8,628
Public works	1,172,768	-	453,055	203,924
Community and economic development	140,796	-	-	-
Recreation and culture	532,596	86,824	9,063	-
Interest on long-term debt	27,286	-	-	-
Total governmental activities	7,933,542	1,064,948	552,424	212,552
Business-type activities				
Water and sewer	2,905,293	2,640,675	-	-
Solid waste disposal	306,917	343,837	-	-
Total business-type activities	3,212,210	2,984,512	-	-
Total primary government	<u>\$ 11,145,752</u>	<u>\$ 4,049,460</u>	<u>\$ 552,424</u>	<u>\$ 212,552</u>
Component unit				
Downtown Development Authority	<u>\$ 33,868</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues
 Property taxes
 Payment in lieu of taxes - unrestricted
 State shared revenues - unrestricted
 Sale of tax reversion properties - unrestricted
 Cable franchise fees - unrestricted
 Investment and rent earnings
 Miscellaneous

Total general revenues

Transfers

CHANGE IN NET POSITION

Net position, beginning of the year

Net position, end of the year

See accompanying notes to the financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Downtown Development Authority
\$ (1,338,339)	\$ -	\$ (1,338,339)	\$ -
(3,644,699)	-	(3,644,699)	-
(515,789)	-	(515,789)	-
(140,796)	-	(140,796)	-
(436,709)	-	(436,709)	-
(27,286)	-	(27,286)	-
(6,103,618)	-0-	(6,103,618)	-0-
-	(264,618)	(264,618)	-
-	36,920	36,920	-
-	(227,698)	(227,698)	-0-
(6,103,618)	(227,698)	(6,331,316)	-0-
-	-	-	(33,868)
6,648,366	-	6,648,366	26,675
97,160	-	97,160	-
835,099	-	835,099	-
152,053	-	152,053	-
180,558	-	180,558	-
19,470	1,942	21,412	181
349,911	-	349,911	-
8,282,617	1,942	8,284,559	26,856
(888,330)	888,330	-0-	-
1,290,669	662,574	1,953,243	(7,012)
(929,020)	11,032,533	10,103,513	736,864
<u>\$ 361,649</u>	<u>\$ 11,695,107</u>	<u>\$ 12,056,756</u>	<u>\$ 729,852</u>

City of Center Line

Governmental Funds

BALANCE SHEET

June 30, 2013

	General	Public Safety	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,888,152	\$ 377,212	\$ 104,306	\$ 1,130,836	\$ 3,500,506
Receivables					
Accounts	70,581	-	-	-	70,581
Taxes	55,491	-	-	-	55,491
Other governmental units	204,516	14,144	-	72,774	291,434
Assets held for sale	113,425	-	-	-	113,425
Prepays	95,183	63,034	-	318	158,535
TOTAL ASSETS	\$ 2,427,348	\$ 454,390	\$ 104,306	\$ 1,203,928	\$ 4,189,972
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	394,422	46,230	-	14,358	455,010
Accrued and other liabilities	36,192	39,958	-	195	76,345
Unearned revenue					
Parks and recreation revenues	2,615	-	-	-	2,615
Public safety grants	-	39,859	-	-	39,859
TOTAL LIABILITIES	433,229	126,047	-0-	14,553	573,829
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue					
Delinquent tax receivables	51,346	-	-	-	51,346
Delinquent city receivables	1,951	-	-	-	1,951
Properties held for sale but not yet sold	113,425	-	-	-	113,425
TOTAL DEFERRED INFLOWS OF RESOURCES	166,722	-0-	-0-	-0-	166,722
FUND BALANCES					
Nonspendable	95,183	63,034	-	318	158,535
Restricted	-	265,309	104,306	511,710	881,325
Committed	132,214	-	-	-	132,214
Assigned	-	-	-	677,347	677,347
Unassigned	1,600,000	-	-	-	1,600,000
TOTAL FUND BALANCES	1,827,397	328,343	104,306	1,189,375	3,449,421
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,427,348	\$ 454,390	\$ 104,306	\$ 1,203,928	\$ 4,189,972

See accompanying notes to the financial statements.

City of Center Line

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2013

Total fund balances - governmental funds \$ 3,449,421

Amounts reported for the governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and
are not reported in the governmental funds 3,508,022

Investment in joint ventures are not included as an asset in the governmental funds 29,832

Long-term receivables are not available to pay for current period expenditures and are
therefore deferred in the funds. These consist of:

Unavailable revenues 166,722

Long-term liabilities are not due and payable in the current period and
are not reported in the governmental funds. Long-term liabilities at
year-end consist of:

Bonds and loans payable	\$ 768,806
Accrued interest payable	4,362
Compensated absences	110,262
Other postemployment benefit obligations	<u>5,908,918</u>

(6,792,348)

Net position of governmental activities \$ 361,649

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City of Center Line

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2013

	General	Public Safety	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 2,700,019	\$ 2,750,575	\$ 1,304,775	\$ -	\$ 6,755,369
Licenses and permits	220,323	-	-	-	220,323
Intergovernmental	1,199,611	65,283	-	439,524	1,704,418
Charges for services	394,541	27,171	-	-	421,712
Fines and forfeits	382,990	2,295	-	5,898	391,183
Interest	16,486	717	228	2,038	19,469
Other revenue	558,431	34,296	-	1,550	594,277
TOTAL REVENUES	5,472,401	2,880,337	1,305,003	449,010	10,106,751
EXPENDITURES					
Current					
General government	1,858,617	-	-	-	1,858,617
Public safety	159,507	3,284,470	-	-	3,443,977
Public works	831,121	-	-	293,683	1,124,804
Community and economic development	140,796	-	-	-	140,796
Recreation and culture	471,955	-	-	-	471,955
Debt service	1,094,879	-	147,542	-	1,242,421
Capital outlay	83,622	38,424	-	99,391	221,437
TOTAL EXPENDITURES	4,640,497	3,322,894	147,542	393,074	8,504,007
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	831,904	(442,557)	1,157,461	55,936	1,602,744
OTHER FINANCING SOURCES (USES)					
Transfers in	164,825	770,900	-	519,977	1,455,702
Transfers out	(1,120,900)	-	(1,053,155)	(169,977)	(2,344,032)
TOTAL OTHER FINANCING SOURCES (USES)	(956,075)	770,900	(1,053,155)	350,000	(888,330)
NET CHANGE IN FUND BALANCES	(124,171)	328,343	104,306	405,936	714,414
Fund balances, beginning of year	1,951,568	-	-	783,439	2,735,007
Fund balances, end of year	\$ 1,827,397	\$ 328,343	\$ 104,306	\$ 1,189,375	\$ 3,449,421

See accompanying notes to the financial statements.

City of Center Line

RECONCILIATION OF THE CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

Net change in fund balances - total governmental funds **\$ 714,414**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 173,433	
Depreciation expense	<u>(221,885)</u>	
		(48,452)

Revenues in the statement of activities that do not provide current financial resources are not reported in the funds. In the current period these amounts consist of:

Change in unavailable revenues	89,186
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	144,108
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	1,208	
Increase in compensated absences	(24,369)	
Loss in joint venture investment	(151,366)	
Decrease in other postemployment benefit obligations	<u>565,940</u>	
		<u>391,413</u>

Change in net position of governmental activities **\$ 1,290,669**

City of Center Line

Proprietary Funds

STATEMENT OF NET POSITION

June 30, 2013

	Enterprise Funds		
	Major Fund - Water and Sewer	Nonmajor Fund - Solid Waste Disposal	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,106,992	\$ 80,069	\$ 1,187,061
Accounts receivable	671,344	103,125	774,469
Prepaid expenses	5,920	-	5,920
Total current assets	1,784,256	183,194	1,967,450
Noncurrent assets			
Other postemployment benefit asset	89,871	-	89,871
Capital assets, net of accumulated depreciation	19,984,329	-	19,984,329
Total noncurrent assets	20,074,200	-	20,074,200
TOTAL ASSETS	21,858,456	183,194	22,041,650
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges, net of amortization	248,055	-	248,055
LIABILITIES			
Current liabilities			
Accounts payable	336,766	835	337,601
Accrued liabilities	2,522	-	2,522
Accrued interest payable	46,477	-	46,477
Current portion of long-term debt	970,519	-	970,519
Total current liabilities	1,356,284	835	1,357,119
Noncurrent liabilities			
Noncurrent portion of long-term debt	9,237,479	-	9,237,479
TOTAL LIABILITIES	10,593,763	835	10,594,598
NET POSITION			
Net investment in capital assets	10,024,386	-	10,024,386
Unrestricted	1,488,362	182,359	1,670,721
TOTAL NET POSITION	\$ 11,512,748	\$ 182,359	\$ 11,695,107

See accompanying notes to the financial statements.

City of Center Line

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

Year Ended June 30, 2013

	Enterprise Funds		
	Major Fund - Water and Sewer	Nonmajor Fund - Solid Waste Disposal	Total
OPERATING REVENUES			
Charges for services	\$ 2,640,675	\$ 343,837	\$ 2,984,512
OPERATING EXPENSES			
Cost of water and sewage disposal	1,311,157	-	1,311,157
Cost of solid waste disposal	-	277,202	277,202
Salaries and fringe benefits	300,714	-	300,714
Utilities	29,015	-	29,015
Repairs and maintenance	134,996	-	134,996
Professional services	151,663	29,715	181,378
Operating supplies	43,919	-	43,919
Vehicle expenses	11,984	-	11,984
Other	27,072	-	27,072
Depreciation	485,743	-	485,743
TOTAL OPERATING EXPENSES	2,496,263	306,917	2,803,180
OPERATING INCOME	144,412	36,920	181,332
NONOPERATING REVENUES (EXPENSES)			
Interest earned	1,767	175	1,942
Interest expense	(285,391)	-	(285,391)
Repayment of unused grant funds	(82,099)	-	(82,099)
Bond discount and deferred charges	(40,914)	-	(40,914)
Paying agent fees	(626)	-	(626)
TOTAL NONOPERATING REVENUES (EXPENSES)	(407,263)	175	(407,088)
NET INCOME (LOSS) BEFORE TRANSFERS	(262,851)	37,095	(225,756)
TRANSFERS IN	888,330	-	888,330
CHANGE IN NET ASSETS	625,479	37,095	662,574
Net position, beginning of year	10,887,269	145,264	11,032,533
Net position, end of year	\$ 11,512,748	\$ 182,359	\$ 11,695,107

See accompanying notes to the financial statements.

City of Center Line

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2013

	Enterprise Funds		
	Major Fund - Water and Sewer	Nonmajor Fund - Solid Waste Disposal	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 2,801,395	\$ 340,220	\$ 3,141,615
Payments to suppliers for water supply, sewage disposal, and waste disposal	(1,676,805)	(339,005)	(2,015,810)
Payments to employees and employee trusts	(952,023)	-	(952,023)
NET CASH PROVIDED BY OPERATING ACTIVITIES	172,567	1,215	173,782
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Receipts from the issuance of new debt	211,456	-	211,456
Purchase of capital assets	(183,657)	-	(183,657)
Principal and interest paid on long-term debt	(1,093,330)	-	(1,093,330)
Paying agent fees	(626)	-	(626)
Repayment of unused grant funds	(82,099)	-	(82,099)
Transfers from other funds	888,330	-	888,330
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(259,926)	-0-	(259,926)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	1,767	175	1,942
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(85,592)	1,390	(84,202)
Cash and cash equivalents, beginning of year	1,192,584	78,679	1,271,263
Cash and cash equivalents, end of year	\$ 1,106,992	\$ 80,069	\$ 1,187,061
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income	\$ 144,412	\$ 36,920	\$ 181,332
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	485,743	-	485,743
Change in:			
Receivables	160,720	(3,617)	157,103
Prepays	(650)	-	(650)
Accounts payable	33,651	(32,088)	1,563
Accrued and other liabilities	(651,309)	-	(651,309)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 172,567	\$ 1,215	\$ 173,782

See accompanying notes to the financial statements.

City of Center Line

Fiduciary Funds

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2013

	Fiduciary Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 2,447,272	\$ 31,149
Investments		
U.S. Treasury securities	724,091	-
Federal agency securities	560,171	-
Common and preferred stocks	8,137,827	-
Corporate bonds and notes	244,986	-
Contributions receivable	3,642	-
Accrued interest receivable	9,982	-
TOTAL ASSETS	<u>\$ 12,127,971</u>	<u>\$ 31,149</u>
LIABILITIES - Due to others	<u>\$ -</u>	<u>\$ 31,149</u>
NET POSITION		
Held in Trust for Pension and Other Employee Benefits	<u>\$ 12,127,971</u>	

See accompanying notes to the financial statements.

City of Center Line

Fiduciary Funds

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2013

	<u>Fiduciary Trust Funds</u>
ADDITIONS	
Investment income (loss):	
Interest and dividends	\$ 254,440
Net increase in fair value of investments	862,461
Investment-related expenses	<u>(89,418)</u>
Net investment income (loss)	1,027,483
Contributions:	
Employer	2,399,296
Employee	<u>95,295</u>
Total contributions	<u>2,494,591</u>
Total additions - Net	<u>3,522,074</u>
DEDUCTIONS	
Benefit payments	1,273,629
Administrative expenses	<u>16,594</u>
Total deductions	<u>1,290,223</u>
Net Change	2,231,851
Assets Held in Trust for Pension and Other Employee Benefits - Beginning of Year	<u>9,896,120</u>
Assets Held in Trust for Pension and Other Employee Benefits - End of Year	<u><u>\$ 12,127,971</u></u>

See accompanying notes to the financial statements.

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NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Center Line is a second ring suburb of the metropolitan Detroit region, located in Macomb County, Michigan, and has a population of approximately 8,300. Center Line is a Home Rule City with a City Manager/Council form of government. The City is located ten (10) miles north of downtown Detroit and is centrally located along U.S. Interstate 696 and just one (1) mile from U.S. Interstate 75, making the City an ideal location for industry and commerce.

The City has five City Council members who are selected at large for overlapping four (4) year terms. The Council appoints the City Manager/Clerk, Public Safety Director, and City Finance Director/Treasurer.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to city governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 4*, these financial statements present the financial activities of the City of Center Line (primary government) and its component unit, the entities for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the financial statements to emphasize that it is legally separate from the primary government. The component unit is included in the City's audited financial statements and is not audited separately.

2. Joint Venture

The City participates in the following activities which are considered to be joint ventures in relation to the City, due to the formation of an organization by contractual agreement between two (2) or more participants that maintain joint control, financial interest, and financial responsibility.

South Macomb Disposal Authority – The City is a member of the South Macomb Disposal Authority (the Authority), which provides refuse disposal services to participating municipalities in Macomb County, Michigan. Other members include the cities of Eastpointe, Roseville, St. Clair Shores, and Warren, Michigan. The City appoints one member to the joint venture's governing board, which then approves the annual budget. The City's equity interest in the Authority's operating reserve totaling \$29,832 is recorded within the governmental activities column of the statement of net position.

Complete financial statements for the South Macomb Disposal Authority can be obtained from the administrative offices at 20001 Pleasant Avenue, St. Clair Shores, Michigan.

37th District Court, State of Michigan – The City is a member of the 37th District Court, State of Michigan, which provides services to the residents of the cities of Center Line and Warren. As of the most recent financial statements available, the District Court has no equity. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

Complete financial statements for the 37th District Court, State of Michigan can be obtained from the administrative offices at 8300 Common Road, Warren, Michigan.

3. Discretely Presented Component Unit

The Downtown Development Authority (DDA) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The DDA's governing body, consisting of eleven (11) individuals, is selected by the City Council. In addition, the DDA's budget is subject to approval by the City Council. The DDA does not issue separate financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Discretely Presented Component Units - concluded

The City has an Economic Development Corporation and a Building Authority; however, these entities had no financial activity during the year.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, except for interfund services provided and used, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the City's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Public Safety Fund is used to account for the public safety tax collections that are legally restricted to expenditures for the purpose of public safety operations and public safety retirement costs.
- c. The Debt Service Fund is used to account for the general obligation debt millage tax collections as well as the associated principal and interest debt service payments paid from the millage collections.

The City reports the following major enterprise fund:

- a. The Water and Sewer Fund is used to account for the operations required to providing water and sewer services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation - concluded

Additionally, the City reports trust funds to account for the activities of the employee benefit plans, which accumulate resources for pension and other post-employment benefits obligations to qualified employees. The City's trust funds are the Police and Fire Retirement System Fund, Police and Fire Retiree Health Care Fund, and OPEB Investment Trust Fund.

The City also reports agency funds to account for assets held by the City as an agent for other governments, private organizations, or individuals. Agency funds are, by nature, custodial; therefore, operation results are not measured. The City's agency funds are the Trust and Agency Fund and the Current Tax Collections Fund.

5. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in current net position.

There is no measurement focus for the fiduciary agency fund since assets equal liabilities.

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and unearned or unavailable revenue. Significant revenues susceptible to accrual are certain intergovernmental revenues and certain charges for services. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary and agency funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Basis of Accounting - concluded

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

If/when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

7. Budgets and Budgetary Accounting

The annual budget is prepared by the City administration and adopted by the City Council and has been prepared in accordance with GAAP. Subsequent amendments are approved by the City Council. Unexpended appropriations lapse at year end, and encumbrances are not included as expenditures. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered spent when goods are received or services are rendered.

During the year, the budget was amended in a legally permissible manner. The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law.

The city manager presents the preliminary budget to City Council by no later than April and the final budget is legally adopted, in compliance with the City charter, by no later than the first week in June in order to commence on the first day of July.

8. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking, certificates of deposit, and investment trust fund accounts. The cash equivalents are recorded at cost, which approximates market value.

Investments include U.S. government securities and corporate bonds (both domestic and foreign). All investments are stated at market value.

9. Receivables

Receivables consist of amounts due from various individuals and businesses related to charges for services, amounts owed to the City from various fines and forfeits, and taxes levied that have not been collected.

10. Due from Other Governmental Units

Due from other governmental units consists of amounts due from the State of Michigan or federal government for various payments and grants.

11. Property Tax

The City of Center Line bills and collects its own property taxes and taxes for other governmental units. The City's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph:

Property taxes are levied by the City of Center Line on July 1 and December 1 and are payable without penalty through August 31 and February 28, respectively. The July 1 levy is composed of the County's levy, the State Education Tax assessment, half of school district, intermediate school district, and community college levies, and the all City millages and assessments.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**11. Property Tax - concluded**

The December 1 levy is composed of second half school, intermediate school district, and community college taxes; the zoological society, art authority, veterans, SMART bus, HCMA, and County drain debt taxes, as well as any unpaid July 1 City levies. All real property taxes not paid to the City by March 1 are turned over to the Macomb County Treasurer for collection. The Macomb County Treasurer remits settlement payments to all taxing districts on any delinquent real property taxes. Delinquent personal property taxes are also remitted to the Macomb County Treasurer. Delinquent personal property taxes are then collected by the County Treasurer, who transmits any successful collections back to the City. Collections and remittances of all taxes are accounted for in the Current Tax Collections Agency Fund. City property tax revenues are recognized as revenues in the fiscal year levied.

The City is permitted by state statute to levy taxes up to 15 mills (\$15 per \$1,000 of assessed valuation) for general governmental services other than the payment of Debt Service Fund expenditures. They are also permitted to levy additional mills specifically designated for police and fire pension, public safety operations, and debt service extinguishment. For the year ended June 30, 2013, the City levied 14.6630 mills for general governmental services, 8.5410 mills for police and fire pension obligations, 7.5000 mills for public safety operations, and 7.6288 mills for debt service extinguishment. The total taxable value for the 2012 levy for property within the City was \$169,895,411. These levies generated \$2,491,176, \$1,451,077, \$1,274,216, and \$1,296,098 in property tax revenue for the general governmental services, police and fire pension obligations, public safety operations, and debt service extinguishment, respectively.

12. Prepays

Prepaid expenditures in the governmental funds, such as insurance premiums, which are expected to be written off within the next fiscal year, are included in net current assets. Reported prepaid expenditures are equally offset by a nonspendable fund balance which indicates they do not constitute "available spendable resources" even though they are a component of net current assets.

13. Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and business-type activities columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Utility systems	70 years
Land improvements	20 years
Building and improvements	50 years
Machinery and equipment	5 - 20 years

14. Deferred Outflows/Inflows and Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide and proprietary funds financial statement of net position.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

14. Deferred Outflows/Inflows and Resources - concluded

A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide and proprietary funds financial statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from delinquent property taxes, delinquent city services fees, as well as from properties held for sale but not yet sold. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

15. Compensated Absences

City employees are granted vacation and sick leave in varying amounts. In the event of termination, individual employees have vested rights to receive payment for unused vacation and sick leave.

Accumulated vacation and sick pay amounts that are vested have been recorded in the government-wide financial statements.

16. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

17. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

18. Pension and Other Postemployment Benefit (OPEB) Costs

The City offers both pension and retiree healthcare benefits to retirees. The City receives an actuarial-based calculation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, pension and OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the City reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of the year underpaid amount, if any.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONCLUDED

19. Restricted Net Position

Restrictions of net position shown in the government-wide financial statements indicate restrictions that have been imposed by outside sources which preclude a portion of net position from their use for unrestricted purposes.

20. Fund Balance Classification Policies and Procedures

For committed fund balance, the City of Center Line's highest level of decision-making authority is the City Council. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution.

For assigned fund balance, the City Council is authorized to assign amounts to a specific purpose.

For the classification of fund balances, the City of Center Line considers restricted amounts to have been spent first when an expenditure is incurred for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the City of Center Line considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

21. Comparative Data

Comparative data has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
3. Commercial paper rated at the time of purchase within the 3 highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Police and Fire Retirement System Fund, Police and Fire Retiree Health Care Fund, and OPEB Investment Trust Fund are also authorized by Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, certain real estate investments, and certain other specified investment vehicles.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

The City has designated two banks for the deposit of its funds. The investment policy adopted by the board has authorized investments in accordance with Public Act 196 of 1997. The City's deposits are in accordance with statutory requirements.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$4,844,816 of bank deposits (checking accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity.

At year end, the City had the following investments:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Police and Fire Retirement System:		
U.S. Treasury securities	\$ 724,091	9.66
Federal agency securities	560,171	21.49
Corporate bonds	244,986	6.49
Common stock	8,137,827	N/A
	<u>\$ 9,667,075</u>	

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy does not further limit its investment choices. As of the year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Federal agency securities	\$ 1,284,262	AAA	Moody's
Corporate bonds	244,986	AA+ to BBB-	S&P
Common stock	8,137,827	N/A	
	<u>\$ 9,667,075</u>		

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE C: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds and business type funds have been eliminated.

Transfers to the General Fund from:	
Debt Service Fund	<u>\$ 164,825</u>
Transfers to the Public Safety Fund from:	
General Fund	<u>\$ 770,900</u>
Transfers to the Water and Sewer Fund from:	
Debt Service Fund	<u>\$ 888,330</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 350,000
Nonmajor governmental funds	<u>169,977</u>
	<u>\$ 519,977</u>

The transfer to the General Fund from the Debt Service fund was to repay the General Fund for unassigned fund balances used to pay debt service in the previous fiscal year. The transfers to the Public Safety Fund from the General Fund were for operating costs in excess of public safety tax levies. The transfers to the Water and Sewer Fund from the Debt Service Fund were for debt payments. The transfers to the nonmajor governmental funds from other nonmajor governmental funds were to fund general operations as allowed by state law while transfers from the General Fund to nonmajor governmental funds were to finance future capital projects.

City of Center Line

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE D: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Governmental activities				
Capital assets not being depreciated - Land	\$ 1,445,365	\$ -	\$ -	\$ 1,445,365
Capital assets being depreciated:				
Building and improvements	2,396,916	-	-	2,396,916
Machinery and equipment	3,795,773	173,433	348,105	3,621,101
Land improvements	654,546	-	-	654,546
Subtotal	6,847,235	173,433	348,105	6,672,563
Accumulated depreciation:				
Building and improvements	1,127,647	43,936	-	1,171,583
Machinery and equipment	3,101,691	157,598	348,105	2,911,184
Land improvements	506,788	20,351	-	527,139
Subtotal	4,736,126	221,885	348,105	4,609,906
Net capital assets being depreciated	2,111,109	(48,452)	-0-	2,062,657
Net capital assets	<u>\$ 3,556,474</u>	<u>\$ (48,452)</u>	<u>\$ -0-</u>	<u>\$ 3,508,022</u>
Business-type activities				
Capital assets being depreciated:				
Utility system	\$ 23,005,144	\$ 183,657	\$ -	\$ 23,188,801
Building and improvements	1,502,990	-	-	1,502,990
Machinery and equipment	1,686,803	-	88,000	1,598,803
Subtotal	26,194,937	183,657	88,000	26,290,594
Accumulated depreciation				
Utility system	4,274,143	330,773	-	4,604,916
Building and improvements	789,761	25,567	-	815,328
Machinery and equipment	844,618	129,403	88,000	886,021
Subtotal	5,908,522	485,743	88,000	6,306,265
Net capital assets	<u>\$ 20,286,415</u>	<u>\$ (302,086)</u>	<u>\$ -0-</u>	<u>\$ 19,984,329</u>

City of Center Line
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE D: CAPITAL ASSETS - CONCLUDED

Depreciation expense was charged to the following governmental activities:

General government	\$ 40,226
Public safety	75,295
Public works	61,769
Recreation and culture	<u>44,595</u>
Total governmental activities	<u>\$ 221,885</u>

NOTE E: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2013.

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
Unlimited Tax General Obligation Bonds:							
2004 Refunding Bonds							
Amount of issue - \$1,490,000	3.10% -	\$91,368 -					
Maturing through 2020	3.80%	\$127,915	\$ 888,287	\$ -	\$ 119,481	\$ 768,806	\$ 119,481
2008 Dump Truck and Snow Plow							
Amount of issue - \$123,136							
Maturing through 2013	3.97%	\$24,627	<u>24,627</u>	<u>-</u>	<u>24,627</u>	<u>-0-</u>	<u>-</u>
Total bonds and installment purchase agreements payable			912,914	-	144,108	768,806	119,481
Accumulated compensated absences			<u>85,893</u>	<u>182,016</u>	<u>157,647</u>	<u>110,262</u>	<u>27,566</u>
Total governmental activities			<u>\$ 998,807</u>	<u>\$ 182,016</u>	<u>\$ 301,755</u>	<u>\$ 879,068</u>	<u>\$ 147,047</u>
Business-type Activities							
Unlimited Tax General Obligation Bonds:							
2004 Refunding Bonds							
Amount of issue - \$3,810,000	3.10% -	\$237,226 -					
Maturing through 2020	3.80%	\$327,085	2,271,666	-	305,519	1,966,147	305,519
2011 Refunding Bonds							
Amount of issue - \$4,005,000	2.00% -	\$275,000 -					
Maturing through 2020	4.00%	\$655,000	4,005,000	-	295,000	3,710,000	450,000
State Revolving Fund (SRF) Wastewater General Obligation Limited Tax Bonds:							
2010 Issue							
Amount of issue - \$5,277,000		\$205,000 -					
Maturing through 2030	2.50%	\$321,581	<u>4,525,395</u>	<u>211,456</u>	<u>205,000</u>	<u>4,531,851</u>	<u>215,000</u>
Total business-type activities			<u>\$ 10,802,061</u>	<u>\$ 211,456</u>	<u>\$ 805,519</u>	<u>\$ 10,207,998</u>	<u>\$ 970,519</u>

City of Center Line

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE E: LONG-TERM DEBT - CONCLUDED

Annual debt service requirements to maturity for the above bond and note obligations are as follows:

Years Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 119,481	\$ 24,317	\$ 143,798	\$ 970,519	\$ 269,627	\$ 1,240,146
2015	119,481	20,554	140,035	1,065,519	244,728	1,310,247
2016	127,915	16,531	144,446	1,102,085	218,043	1,320,128
2017	109,642	12,557	122,199	1,110,358	187,755	1,298,113
2018	108,236	8,799	117,035	1,156,764	153,795	1,310,559
2019-2023	184,051	6,924	190,975	2,700,858	406,012	3,106,870
2024-2028	-	-	-	1,470,000	191,106	1,661,106
2029-2030	-	-	-	631,895	23,841	655,736
Total	<u>\$ 768,806</u>	<u>\$ 89,682</u>	<u>\$ 858,488</u>	<u>\$ 10,207,998</u>	<u>\$ 1,694,907</u>	<u>\$ 11,902,905</u>

Unamortized deferred charges activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Unamortized deferred charges	<u>\$ (288,969)</u>	<u>\$ -</u>	<u>\$ (40,914)</u>	<u>\$ (248,055)</u>	<u>\$ -</u>

Compensated Absences

Individual employees have vested rights upon termination of employment to receive payments for unused vacation and sick leave. The dollar amounts of these vested rights have been recorded in the government-wide financial statements. They amount to approximately \$110,262 at June 30, 2013. Accrued vacation and sick leave are generally liquidated by the General Fund.

Advance Refunding

On August 23, 2011, the City defeased the 1998B Water and Sewer Bonds which were due and payable April 1, 1999 through April 1, 2019, and the 2002 Water and Sewer Bonds, which were due and payable October 1, 2003, through October 1, 2020. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The City issued 2011 General Obligation Unlimited Tax Refunding Bonds in the amount of \$4,005,000. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements.

At June 30, 2013, bonds due and payable April 1, 2014, through April 1, 2019, for the 1998B Unlimited Tax General Obligation Bonds in the amount of \$1,950,000; and bonds due and payable October 1, 2013, through October 1, 2019, for the 2002 Unlimited Tax General Obligation Bonds in the amount of \$1,600,000 are considered defeased.

NOTE F: RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical claims and participates in the Michigan Municipal League Risk Pool for claims relating to property loss, torts, errors and omissions, and workers' compensation claims. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE G: DEFINED BENEFIT PENSION PLANS**CITY OF CENTER LINE POLICE AND FIRE RETIREMENT SYSTEM**Plan Description

The City of Center Line Police and Fire Retirement System (the System) is the administrator of a single-employer defined benefit pension plan that covers public safety employees of the City. The System provides retirement, death, disability, and health benefits to plan members and their beneficiaries. At December 31, 2012, the date of the most recent actuarial valuation, membership consisted of 46 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 17 current active employees. The plan does not issue a separate financial report.

Contributions

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note A for further significant accounting policies.

The obligation to contribute to and maintain the System was established by City ordinances and state statute (P.A. 345) and requires a contribution of 9.25 percent of compensation from employees. For employees hired after September 12, 2011, the benefit formula has been modified and the employee contribution rate reduced to 7.25 percent of compensation. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

Annual Pension Cost

For the year ended June 30, 2013, the City's annual pension cost was \$548,854, which was equal to the actual and required contribution. The annual required contribution was determined as part of an actuarial valuation at June 30, 2011 using the individual entry age actuarial funding method. Significant actuarial assumptions used include (a) a 7.5 percent investment rate of return, (b) projected salary increases of 4.5 percent to 7.5 percent per year, and (c) no cost of living adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period is 20 years.

Three-year Trend Information

	Fiscal Year Ended June 30		
	2013	2012	2011
Annual pension cost (APC)	\$ 548,854	\$ 474,935	\$ 419,293
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

Funding Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the plan was 62.8 percent funded. The actuarial liability for benefits was approximately \$16.0 million, resulting in an unfunded actuarial accrued liability of approximately \$5.9 million. The covered payroll (annual payroll for active employees covered by the plan) was approximately \$1.2 million, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 484.7 percent.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE G: DEFINED BENEFIT PENSION PLANS - CONTINUED

The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

As of June 30, 2013 the plan's legally required reserves consist of the following:

Reserve for employee's contributions	\$ 1,253,889
Reserve for retired benefit payments	9,002,458

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN

Plan Description

The City participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for municipalities throughout the state of Michigan. The system covers substantially all City employees except for those in the public safety department. The MERS provides retirement, disability, and death benefits to plan members and their beneficiaries.

The MERS issues a publically available financial report that includes financial statements and required supplemental information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the MERS for these employees was established by negotiation with the City's bargaining units and requires a contribution from covered employees ranging from 3 percent to 8 percent of gross wages.

Annual Pension Cost

For the year ended June 30, 2013, the City's annual pension cost of \$145,938 was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2010, using the entry actual age cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increase of 4.5 percent per year, and (c) no cost of living adjustments. Both (a) and (b) include an inflation component of 3 percent to 4 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period.

The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 26 years.

Three-year trend information for the three most recently issued actuarial valuations as well as annual pension cost trend information is presented on the following page.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE G: DEFINED BENEFIT PENSION PLANS - CONCLUDEDThree-year Trend Information - concluded

	Year Ended December 31,		
	2012	2011	2010
Actuarial value of assets	\$ 4,535,385	\$ 4,924,063	\$ 5,284,044
Actuarial accrued liability (AAL) (entry age)	8,135,128	8,155,364	8,195,542
Unfunded AAL (UAAL)	3,599,743	3,231,301	2,911,498
Funded ratio	55.8%	60.4%	64.5%
Covered payroll	587,297	738,596	720,805
UAAL as a percentage of covered payroll	612.9%	437.5%	403.9%

NOTE H: POSTEMPLOYMENT BENEFITSPlan Description

The City provides retiree healthcare benefits to eligible employees upon retirement, in accordance with labor contracts. This benefit is referred to as an "other postemployment benefit" or "OPEB".

Currently, the plan covers 22 active employees and 74 retirees and their dependents in its insured healthcare plan, with no contribution required by the participant. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. This is a single employer defined benefit plan administered by the City. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the City.

Funding Policy

Currently, no contributions are required by the participants. Retiree healthcare costs are currently recognized when paid by the City on a "pay-as-you-go" basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. Expenditures for postemployment healthcare benefits are recognized as the insurance premiums become due.

Funding Progress

For the year ended June 30, 2013, the City has performed an actuarial valuation as of December 31, 2012 that will be used to determine the annual required contribution for the fiscal years 2013, 2014, and 2015.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE H: POSTEMPLOYMENT BENEFITS - CONTINUEDFunding Progress - continued

The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding for the year ended June 30, 2013, as well as a four year summary of amounts OPEB obligations are summarized as follows:

Annual required contribution	\$ 1,798,022
Interest on prior year's net OPEB obligation	422,273
Less: Adjustment to the annual required contribution	<u>(496,542)</u>
Annual OPEB cost	1,723,753
Amounts contributed	<u>(2,942,595)</u>
Decrease in net OPEB obligation	(1,218,842)
OPEB obligation - July 1, 2012	<u>7,037,889</u>
OPEB obligation - June 30, 2013	<u><u>\$ 5,819,047</u></u>

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Annual OPEB Costs	Employer Contributions		Net OPEB Obligation
				Percentage of ARC Contributed	Percentage of OPEB Costs Contributed	
6/30/13	12/31/12	\$ 1,798,022	\$ 1,723,753	163.7%	170.7%	\$ 5,819,047
6/30/12	6/30/11	3,378,740	3,297,009	29.9%	30.7%	7,037,889
6/30/11	6/30/11	3,282,569	3,237,294	36.8%	37.4%	4,752,588
6/30/10	7/1/09	3,869,666	3,869,666	29.6%	29.6%	2,724,869

The funding progress of the plan is as follows for the three most recently completed valuation reports:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
12/31/12	\$ 798,676	\$ 24,456,624	\$ 23,657,948	3.3%	\$ 1,606,742	1472.4%
6/30/11	54,183	46,314,469	46,260,286	0.1%	1,876,172	2487.7%
7/1/09	53,666	50,901,576	50,847,910	0.1%	2,043,991	2465.7%

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE H: POSTEMPLOYMENT BENEFITS - CONCLUDED**Actuarial Methods and Assumptions - concluded**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations.

In the December 31, 2012 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 6.0 discount rate, which is the expected long-term investment returns on assets expected to be used to fund the liability and an annual healthcare cost trend rate of 9 percent initially, reduced by decrements to an ultimate rate of 4 percent after ten years. The inflation rate assumption was 4 percent. The unfunded AAL will be amortized on a closed basis over 30 years.

NOTE I: ASSETS HELD FOR SALE

Each year, Macomb County offers the City the opportunity to purchase real properties located within the City which have not paid their real property taxes for three consecutive tax years. The City has the option of either purchasing the properties or allowing the County to auction the properties. For the current period, the City exercised its option to purchase the properties and designated all properties purchased for resale. As of June 30, 2013, the estimated market value of these properties is \$113,425.

NOTE J: STATE CONSTRUCTION CODE FEES

The City oversees building construction in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the activity for the year ended June 30, 2013 is as follows:

CUMULATIVE SHORTFALL - July 1, 2012		\$ (988,707)
REVENUES		
Building permits		81,797
EXPENDITURES		
Direct costs	\$ (121,430)	
Estimated indirect costs	(12,143)	(133,573)
EXCESS OF EXPENDITURES OVER REVENUES		(51,776)
CUMULATIVE SHORTFALL - June 30, 2013		<u>\$ (1,040,483)</u>

City of Center Line

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE K: DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS

The following schedule details fund balance classifications for the City of Center Line:

	General Fund	Public Safety Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
FUND BALANCES					
Nonspendable for:					
Prepays	\$ 95,183	\$ 63,034	\$ -	\$ 318	\$ 158,535
Restricted for:					
Drug law enforcement	-	-	-	3,005	3,005
Streets	-	-	-	508,705	508,705
Postemployment benefits	-	265,309	-	-	265,309
Debt service	-	-	104,306	-	104,306
Committed to:					
Subsequent budget deficit	132,214	-	-	-	132,214
Assigned to:					
Capital projects	-	-	-	677,347	677,347
Unassigned	1,600,000	-	-	-	1,600,000
TOTAL FUND BALANCES	\$ 1,827,397	\$ 328,343	\$ 104,306	\$ 1,189,375	\$ 3,449,421

See Note A for the City's policies regarding fund balance classifications.

NOTE L: CHANGES IN ACCOUNTING PRINCIPLE

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* were implemented during the current year. These statements incorporate deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets.

NOTE M: UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement 67 changes how public employee pension plans calculate and report their total pension liability. Statement 68 requires governments participating in public employee pension plans to recognize their portion of the long-term obligation for the pension benefits as a liability and to measure the annual costs of the pension benefits. The City is currently evaluating the impact this standard will have on the financial statements when adopted. Statement 67 is effective for the year ending June 30, 2014 and Statement 68 is effective for the year ending June 30, 2015.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. Statement 69 provides detailed requirements for the accounting and disclosure of various types of government combinations, such as mergers, acquisitions, and transfers of operations. The guidance available previously was limited to nongovernmental entities, and therefore did not provide practical examples for situations common in government-specific combinations and disposals. The accounting and disclosure requirements for these events vary based on whether a significant payment is made, the continuation or termination of services, and the legal structure of the new or continuing entity. The City is currently evaluating the impact this standard will have on the financial statements when adopted. Statement 69 is effective for the year ending June 30, 2015.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE M: UPCOMING ACCOUNTING PRONOUNCEMENTS - CONCLUDED

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Statement 70 addresses the accounting and disclosure of situations in which one government offers a financial guarantee on behalf of another government, not-for-profit organization, private entity, or individual without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). A government that extends a nonexchange financial guarantee will be required to recognize a liability when qualitative factors and/or historical data indicate that it is "more likely than not" that the government will be required to make a payment on the guarantee. It further requires governments to disclose any outstanding financial guarantees in the notes to the financial statements. The City is currently evaluating the impact this standard will have on the financial statements when adopted. Statement 70 is effective for the year ending June 30, 2014.

REQUIRED SUPPLEMENTARY INFORMATION

City of Center Line

General Fund

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

Year Ended June 30, 2013

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 3,741,093	\$ 2,691,639	\$ 2,700,019	\$ 8,380
Licenses and permits	117,000	213,500	220,323	6,823
Intergovernmental				
Federal sources	100,500	258,651	244,758	(13,893)
State sources	812,000	895,138	954,853	59,715
Charges for services	390,369	442,295	394,541	(47,754)
Fines and forfeits	253,500	350,500	382,990	32,490
Interest and rents	6,500	20,181	16,486	(3,695)
Other revenue	206,000	553,222	558,431	5,209
TOTAL REVENUES	5,626,962	5,425,126	5,472,401	47,275
EXPENDITURES				
Current				
General government				
Legislative	19,935	19,935	16,198	3,737
City treasurer	202,187	193,097	181,840	11,257
City assessor	64,720	75,798	73,736	2,062
City manager and clerk	356,004	399,927	388,119	11,808
Other general government	586,913	831,247	773,747	57,500
District court	500,750	355,750	424,977	(69,227)
Public safety				
Protective inspection	137,430	165,374	159,507	5,867
Public works				
Department of public works	895,147	919,133	831,121	88,012
Community and economic development				
City tax reversion program	55,000	141,997	140,796	1,201
Recreation and culture				
Library	219,293	220,585	213,281	7,304
Recreation department	268,513	281,119	258,674	22,445
Debt service				
Principal and interest	174,054	25,060	25,060	-0-
OPEB employer contributions	-	1,150,000	1,069,819	80,181
Capital outlay	30,000	100,179	83,622	16,557
TOTAL EXPENDITURES	3,509,946	4,879,201	4,640,497	238,704
EXCESS OF REVENUES OVER EXPENDITURES	2,117,016	545,925	831,904	285,979

City of Center Line

General Fund

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONCLUDED

Year Ended June 30, 2013

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 164,825	\$ 164,825	\$ -0-
Transfers out	(1,900,304)	(1,161,641)	(1,120,900)	40,741
Total other financing sources (uses)	(1,900,304)	(996,816)	(956,075)	40,741
NET CHANGE IN FUND BALANCE	216,712	(450,891)	(124,171)	326,720
Fund balance, beginning of year	1,951,568	1,951,568	1,951,568	-0-
Fund balance, end of year	<u>\$ 2,168,280</u>	<u>\$ 1,500,677</u>	<u>\$ 1,827,397</u>	<u>\$ 326,720</u>

City of Center Line

Public Safety Fund

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

Year Ended June 30, 2013

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property tax levy	\$ 2,646,018	\$ 2,750,576	\$ 2,750,575	\$ (1)
Intergovernmental				
Federal	-	1,734	8,628	6,894
State	4,000	13,045	45,895	32,850
Local	12,000	12,000	10,760	(1,240)
Charges for services	-	25,000	27,171	2,171
Fines and forfeits	-	2,325	2,295	(30)
Interest	-	700	717	17
Other revenue	-	33,571	34,296	725
TOTAL REVENUES	2,662,018	2,838,951	2,880,337	41,386
EXPENDITURES				
Current				
Public safety	3,525,760	3,356,118	3,284,470	71,648
Capital outlay	-	46,472	38,424	8,048
TOTAL EXPENDITURES	3,525,760	3,402,590	3,322,894	79,696
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(863,742)	(563,639)	(442,557)	121,082
OTHER FINANCING SOURCES				
Transfers in	863,742	811,641	770,900	(40,741)
NET CHANGE IN FUND BALANCE	-0-	248,002	328,343	80,341
Fund balance, beginning of year	-	-	-	-0-
Fund balance, end of year	\$ -0-	\$ 248,002	\$ 328,343	\$ 80,341

City of Center Line

SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Year Ended June 30, 2013

POLICE AND FIRE DEFINED BENEFIT PENSION PLAN

The schedule of funding progress is as follows:

Actuarial Valuation Date	Value of Assets (a)	Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/2012	\$ 10,090,965	\$ 16,061,845	\$ 5,970,880	62.8%	\$ 1,231,942	484.7%
6/30/2012	10,038,477	16,342,690	6,304,213	61.4%	1,347,450	467.9%
6/30/2011	10,730,131	15,604,272	4,874,141	68.8%	1,266,638	384.8%
6/30/2010	11,674,562	15,032,760	3,358,198	77.7%	1,427,346	235.3%
6/30/2009	12,153,530	14,714,197	2,560,667	82.6%	1,421,544	180.1%
6/30/2008	13,030,002	14,196,301	1,166,299	91.8%	1,659,373	70.3%

The schedule of employer contributions is as follows:

Fiscal Year Ended June 30,	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
2013	6/30/2011	\$ 548,854	100.0
2012	6/30/2010	474,935	100.0
2011	6/30/2009	419,293	100.0
2010	6/30/2008	363,684	100.0
2009	6/30/2007	343,957	100.0
2008	6/30/2006	364,782	100.0

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2013

NOTE A: POLICE AND FIRE DEFINED BENEFIT PENSION PLAN

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, healthcare cost trends and other factors. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The accompanying schedule of employer contributions presents trend information about the amounts contributed to the plan by the employer in comparison to the Annual Required Contribution (ARC), an amount that is actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortized any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuations follows:

Police and Fire Defined Benefit Pension Plan

Actuarial valuation:	
Frequency	Annual
Latest date	December 31, 2012
Basis for contribution	June 30, 2011
Actuarial cost method	Individual entry age
Amortization method	Level percent open
Remaining amortization period	20 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases (includes inflation at 4.50%)	4.5% - 7.5%
Cost of living adjustments	0.0%

NOTE B: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

The City's budgeted expenditures for the General Fund have been shown at the functional classification level. The approved budgets of the City have been adopted at the activity level for the General Fund and total expenditure level for the special revenue funds.

During the year ended June 30, 2013, the City incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
District Court	\$ 355,750	\$ 424,977	\$ (69,227)

OTHER SUPPLEMENTARY INFORMATION

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**Nonmajor Governmental Funds
Fund Descriptions**

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to record the proceeds associated with specific revenues that are legally restricted and committed for specific purposes.

Major Street – The Major Street fund accounts for revenues received from the State of Michigan for the City's share of State gasoline and weight taxes, which is used for maintenance of major streets.

Local Street – The Local Street fund accounts for revenues received from the State of Michigan for the City's share of State gasoline and weight taxes, which is used for maintenance of local streets.

Drug Law Enforcement – This fund accounts for all revenues received by the City for drug forfeiture activities, which finance the City drug law enforcement program activities and related public safety activities.

CAPITAL PROJECTS FUNDS

Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital purchases, such as vehicles, structural replacements, and major repairs which are not financed by proprietary funds. Capital projects are funded primarily by surplus fund balance transfers from the general fund.

Capital Improvement – This fund accounts for funds received and expended for capital improvement to City owned properties and infrastructure.

City of Center Line
Nonmajor Governmental Funds
COMBINING BALANCE SHEET
June 30, 2013

	Special Revenue Funds		
	Major Street	Local Street	Drug Law Enforcement
ASSETS			
Cash and cash equivalents	\$ 308,165	\$ 142,319	\$ 3,005
Due from other governmental units	52,040	20,734	-
Prepays	114	204	-
TOTAL ASSETS	<u>\$ 360,319</u>	<u>\$ 163,257</u>	<u>\$ 3,005</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 3,691	\$ 10,667	\$ -
Other accrued liabilities	70	125	-
TOTAL LIABILITIES	3,761	10,792	-0-
FUND BALANCES			
Nonspendable	114	204	-
Restricted	356,444	152,261	3,005
Assigned	-	-	-
TOTAL FUND BALANCES	<u>356,558</u>	<u>152,465</u>	<u>3,005</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 360,319</u>	<u>\$ 163,257</u>	<u>\$ 3,005</u>

<u>Fund</u>	
Capital Improvement	Total Nonmajor Governmental Funds
\$ 677,347	\$ 1,130,836
-	72,774
-	318
<u>\$ 677,347</u>	<u>\$ 1,203,928</u>
\$ -	\$ 14,358
-	195
<u>-0-</u>	<u>14,553</u>
-	318
-	511,710
<u>677,347</u>	<u>677,347</u>
<u>677,347</u>	<u>1,189,375</u>
<u>\$ 677,347</u>	<u>\$ 1,203,928</u>

City of Center Line

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2013

	Special Revenue Funds		
	Major Street	Local Street	Drug Law Enforcement
REVENUES			
Intergovernmental - State	\$ 314,299	\$ 125,225	\$ -
Fines and forfeits	-	-	5,898
Interest	675	312	6
Other revenue	1,550	-	-
TOTAL REVENUES	316,524	125,537	5,904
EXPENDITURES			
Current			
Public works	91,087	202,596	-
Capital Outlay	-	-	13,729
TOTAL EXPENDITURES	91,087	202,596	13,729
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	225,437	(77,059)	(7,825)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	155,367	-
Transfers out	(155,367)	-	(14,610)
TOTAL OTHER FINANCING SOURCES (USES)	(155,367)	155,367	(14,610)
NET CHANGE IN FUND BALANCES	70,070	78,308	(22,435)
Fund balances, beginning of year	286,488	74,157	25,440
Fund balances, end of year	\$ 356,558	\$ 152,465	\$ 3,005

<u>Fund</u>	
Capital Improvement	Total Nonmajor Governmental Funds
\$ -	\$ 439,524
-	5,898
1,045	2,038
-	1,550
1,045	449,010
-	293,683
85,662	99,391
85,662	393,074
(84,617)	55,936
364,610	519,977
-	(169,977)
364,610	350,000
279,993	405,936
397,354	783,439
<u>\$ 677,347</u>	<u>\$ 1,189,375</u>

City of Center Line

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

Year Ended June 30, 2013

Major Street Fund

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental				
State gas and weight tax	\$ 305,000	\$ 305,000	\$ 314,299	\$ 9,299
Interest	-	800	675	(125)
Other revenue	-	1,550	1,550	-0-
TOTAL REVENUES	305,000	307,350	316,524	9,174
EXPENDITURES				
Current				
Public works				
Highways and streets				
Street maintenance	157,918	154,131	20,896	133,235
Winter maintenance	56,459	54,060	23,127	30,933
Traffic service maintenance	12,077	15,677	15,664	13
Administrative	30,500	31,400	31,400	-0-
TOTAL EXPENDITURES	256,954	255,268	91,087	164,181
EXCESS OF REVENUES (UNDER) EXPENDITURES	48,046	52,082	225,437	173,355
OTHER FINANCING SOURCES				
Transfers out	(155,367)	(155,367)	(155,367)	-0-
NET CHANGE IN FUND BALANCE	(107,321)	(103,285)	70,070	173,355
Fund balance, beginning of year	286,488	286,488	286,488	-0-
Fund balance, end of year	<u>\$ 179,167</u>	<u>\$ 183,203</u>	<u>\$ 356,558</u>	<u>\$ 173,355</u>

City of Center Line

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2013

Local Street Fund

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental				
State gas and weight tax	\$ 123,000	\$ 123,000	\$ 125,225	\$ 2,225
Interest	-	50	312	262
TOTAL REVENUES	123,000	123,050	125,537	2,487
EXPENDITURES				
Current				
Public works				
Highways and streets				
Street maintenance	252,000	247,800	173,061	74,739
Winter maintenance	32,450	32,450	13,846	18,604
Traffic service maintenance	5,325	5,325	3,189	2,136
Administrative	12,300	12,500	12,500	-0-
TOTAL EXPENDITURES	302,075	298,075	202,596	95,479
EXCESS OF REVENUES (UNDER) EXPENDITURES	(179,075)	(175,025)	(77,059)	97,966
OTHER FINANCING SOURCES				
Transfers in	155,367	155,367	155,367	-0-
NET CHANGE IN FUND BALANCE	(23,708)	(19,658)	78,308	97,966
Fund balance, beginning of year	74,157	74,157	74,157	-0-
Fund balance, end of year	\$ 50,449	\$ 54,499	\$ 152,465	\$ 97,966

City of Center Line

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONCLUDED

Year Ended June 30, 2013

Drug Law Enforcement Fund

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Fines and forfeits	\$ 5,000	\$ 5,898	\$ 5,898	\$ -0-
Interest	-	33	6	(27)
TOTAL REVENUES	5,000	5,931	5,904	(27)
EXPENDITURES				
Current				
Public safety	5,000	-	-	-0-
Capital outlay	-	13,730	13,729	1
TOTAL EXPENDITURES	5,000	13,730	13,729	1
EXCESS OF REVENUES (UNDER) EXPENDITURES	-0-	(7,799)	(7,825)	(26)
OTHER FINANCING USES				
Transfers Out	-	(14,611)	(14,610)	1
NET CHANGE IN FUND BALANCE	-0-	(22,410)	(22,435)	(25)
Fund balance, beginning of year	25,440	25,440	25,440	-0-
Fund balance, end of year	\$ 25,440	\$ 3,030	\$ 3,005	\$ (25)

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Fiduciary and Agency Funds Fund Descriptions

Fiduciary Funds account for assets held by the City in a trustee or agency capacity for individuals, private organization, other governmental units and/or other funds.

Police and Fire Retirement System – This fund accounts for the City's Police and Fire Retirement System as administered under Michigan Public Act 345 of 1937, as amended. All pension investments and pension-related business, such as the collection of employee and employer contributions as well as monthly pension benefit payments, is recorded in this fund.

OPEB Investment Trust Fund – This fund was established to account for monies restricted for future health care payments for the City's retirees. The fund was established as an irrevocable trust per guidelines established by GASB 45 via a Declaration of Trust dated June, 30, 2013, and combined the General Retiree Health Care and Police and Fire Retiree Health Care funds into this investment trust fund. All investment activity and benefit payment activity is recorded in this fund.

Police and Fire Retiree Health Care – This fund was established to account for monies restricted for future health care payments for the City's police and fire retirees. The Police and Fire Retiree Health Care fund was merged into the OPEB Investment Trust Fund on June 30, 2013 in accordance with the Declaration of Trust for that fund.

Trust and Agency – This fund accounts for monies held on behalf of special events, committees, and City-ran programs holding funds that are not the property of the City.

Current Tax Collections – This fund accounts for current tax collections. All current tax monies collected by the City are receipted into this fund and later distributed to other funds or other governmental units.

City of Center Line

Fiduciary Trust Funds

COMBINING STATEMENT OF FIDUCIARY NET POSITION

Year Ended June 30, 2013

	Police and Fire Retirement System	OPEB Investment Trust	Police and Fire Retiree Health Care	Total
ASSETS				
Cash and cash equivalents	\$ 575,648	\$ 1,871,624	\$ -	\$ 2,447,272
Investments				
U.S. Treasury securities	724,091	-	-	724,091
Federal agency securities	560,171	-	-	560,171
Common and preferred stocks	8,137,827	-	-	8,137,827
Corporate bonds and notes	244,986	-	-	244,986
Contributions receivable	3,642	-	-	3,642
Accrued interest receivable	9,982	-	-	9,982
	<u>10,256,347</u>	<u>1,871,624</u>	<u>-</u>	<u>12,127,971</u>
Total assets	10,256,347	1,871,624	-	12,127,971
NET POSITION				
Assets Held in Trust for Pension and other Employee Benefits	<u>\$ 10,256,347</u>	<u>\$ 1,871,624</u>	<u>\$ -</u>	<u>\$ 12,127,971</u>

City of Center Line

Fiduciary Trust Funds

COMBINING STATEMENT CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2013

	Police and Fire Retirement System	OPEB Investment Trust	Police and Fire Retiree Health Care	Total
ADDITIONS				
Investment income (loss):				
Interest and dividends	\$ 251,311	\$ 3,129	\$ -	\$ 254,440
Net increase in fair value of investments	862,461	-	-	862,461
Investment-related expenses	(89,418)	-	-	(89,418)
Net investment income (loss)	1,024,354	3,129	-	1,027,483
Contributions:				
Employer	548,854	1,850,442	-	2,399,296
Employee	95,295	-	-	95,295
Total contributions	644,149	1,850,442	-	2,494,591
Total additions - Net	1,668,503	1,853,571	-	3,522,074
DEDUCTIONS				
Benefit payments	1,237,415	-	36,214	1,273,629
Administrative expenses	16,594	-	-	16,594
Total deductions	1,254,009	-	36,214	1,290,223
Net Increase (Decrease)	414,494	1,853,571	(36,214)	2,231,851
Assets Held in Trust for Pension and Other Employee Benefits - Beginning of year	9,841,853	18,053	36,214	9,896,120
Assets Held in Trust for Pension and Other Employee Benefits - End of year	<u>\$ 10,256,347</u>	<u>\$ 1,871,624</u>	<u>\$ -0-</u>	<u>\$ 12,127,971</u>

City of Center Line

Agency Funds

COMBINING STATEMENT OF ASSETS AND LIABILITIES

June 30, 2013

	<u>Trust and Agency Fund</u>	<u>Current Tax Collections Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	<u>\$ 31,149</u>	<u>\$ -0-</u>	<u>\$ 31,149</u>
LIABILITIES			
Due to others	<u>\$ 31,149</u>	<u>\$ -0-</u>	<u>\$ 31,149</u>

City of Center Line

Agency Funds

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended June 30, 2013

Trust and Agency Fund

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
ASSETS				
Cash and cash equivalents	<u>\$ 144,367</u>	<u>\$ 191,801</u>	<u>\$ 305,019</u>	<u>\$ 31,149</u>
LIABILITIES				
Due to others				
Beautification commission	3,890	2,127	1,901	4,116
Adult softball league	-	9,040	1,880	7,160
Annual fireworks donations	10,550	9,770	11,960	8,360
General purpose donations	233	300	455	78
Employee Christmas committee	-	5,719	3,637	2,082
Consignment ticket sales	-	378	-	378
Building and city certification bonds	14,100	76,870	81,995	8,975
Monthly tax deposit program	113,094	82,597	195,691	-0-
Restitution pass thru payments	<u>2,500</u>	<u>5,000</u>	<u>7,500</u>	<u>-0-</u>
TOTAL LIABILITIES	<u>\$ 144,367</u>	<u>\$ 191,801</u>	<u>\$ 305,019</u>	<u>\$ 31,149</u>

City of Center Line

Agency Funds

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended June 30, 2013

Current Year Tax Collections

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
ASSETS				
Cash and cash equivalents	\$ 115,014	\$ 5,921,354	\$ 6,036,368	\$ -0-
LIABILITIES				
Due to other governmental units				
State of Michigan	115,014	108,513	223,527	-0-
Macomb County	-	1,656,006	1,656,006	-0-
Macomb Intermediate School District	-	487,159	487,159	-0-
Macomb Community College	-	268,342	268,342	-0-
Macomb County Zoological Authority	-	16,132	16,132	-0-
Macomb County Arts Authority	-	31,998	31,998	-0-
Huron Clinton Metropolitan Authority	-	35,459	35,459	-0-
Suburban Mobility Authority for Regional Transportation	-	97,511	97,511	-0-
Center Line School District	-	3,081,542	3,081,542	-0-
Van Dyke School District	-	73,485	73,485	-0-
Downtown Development Authority	-	26,675	26,675	-0-
Due to others	-	38,532	38,532	-0-
TOTAL LIABILITIES	\$ 115,014	\$ 5,921,354	\$ 6,036,368	\$ -0-

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**STATISTICAL INFORMATION AND
CONTINUING DISCLOSURE SECTION
(UNAUDITED)**

Statistical Information and Continuing Disclosure Contents

STATISTICAL INFORMATION

Statistical information contained herein relates to the physical, economic, social, and political characteristics of the City. It is designed to provide a broader and more complete understanding of the City and its financial affairs than is possible from the financial statements, notes, and supporting schedules presented in the financial section.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

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These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

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These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

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* Indicates schedules included in statistical information that fulfill continuing disclosure requirements.

CONTINUING DISCLOSURE

Continuing disclosure information contained herein complies with Rule 15c2-12, a federal regulation promulgated by the Securities and Exchange Commission, designed to improve disclosure practices in the municipal bond market. Municipal bonds issued after July 3, 1995 are subject to this mandatory requirement.

Continuing disclosure requires certain annual financial information and operating data, including audited financial statements for the preceding fiscal year. This information is generally consistent with the information contained or cross-referenced in the official statement relating to the bonds.

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City of Center Line

NET POSITION BY COMPONENT

2004-2013
(Unaudited)

	Fiscal			
	2004	2005	2006	2007
Governmental activities				
Net investment				
in capital assets	\$ 2,737,787	\$ 2,641,510	\$ 2,599,806	\$ 2,540,370
Restricted	998,806	941,544	1,090,668	1,290,866
Unrestricted	1,184,206	1,023,050	1,039,717	1,157,946
Total governmental activities net assets	<u>\$ 4,920,799</u>	<u>\$ 4,606,104</u>	<u>\$ 4,730,191</u>	<u>\$ 4,989,182</u>
Business-type activities				
Net investment				
in capital assets	\$ 2,625,660	\$ 2,821,815	\$ 3,154,984	\$ 3,575,831
Restricted	183,971	206,732	224,623	277,336
Unrestricted	2,149,672	1,968,737	1,454,628	354,963
Total business-type activities net assets	<u>\$ 4,959,303</u>	<u>\$ 4,997,284</u>	<u>\$ 4,834,235</u>	<u>\$ 4,208,130</u>
Primary government				
Net investment				
in capital assets	\$ 5,363,447	\$ 5,463,325	\$ 5,754,790	\$ 6,116,201
Restricted	1,182,777	1,148,276	1,315,291	1,568,202
Unrestricted	3,333,878	2,991,787	2,494,345	1,512,909
Total primary government net assets	<u>\$ 9,880,102</u>	<u>\$ 9,603,388</u>	<u>\$ 9,564,426</u>	<u>\$ 9,197,312</u>

Notes:

(1) Source: City of Center Line Basic Financial Statements.

Year					
2008	2009	2010	2011	2012	2013
\$ 2,579,033	\$ 2,603,244	\$ 2,572,197	\$ 2,577,136	\$ 2,643,560	\$ 2,739,216
1,157,734	399,834	825,140	518,739	796,542	881,325
1,213,636	1,359,205	(778,966)	(3,189,606)	(4,369,122)	(3,258,892)
<u>\$ 4,950,403</u>	<u>\$ 4,362,283</u>	<u>\$ 2,618,371</u>	<u>\$ (93,731)</u>	<u>\$ (929,020)</u>	<u>\$ 361,649</u>
\$ 3,980,136	\$ 6,628,046	\$ 8,993,368	\$ 9,286,864	\$ 9,773,323	\$ 10,024,386
216,601	82,551	53,622	25,903	-	-
103,351	155,606	445,313	1,845,959	1,259,210	1,670,721
<u>\$ 4,300,088</u>	<u>\$ 6,866,203</u>	<u>\$ 9,492,303</u>	<u>\$ 11,158,726</u>	<u>\$ 11,032,533</u>	<u>\$ 11,695,107</u>
\$ 6,559,169	\$ 9,231,290	\$ 11,565,565	\$ 11,864,000	\$ 12,416,883	\$ 12,763,602
1,374,335	482,385	878,762	544,642	796,542	881,325
1,316,987	1,514,811	(333,653)	(1,343,647)	(3,109,912)	(1,588,171)
<u>\$ 9,250,491</u>	<u>\$ 11,228,486</u>	<u>\$ 12,110,674</u>	<u>\$ 11,064,995</u>	<u>\$ 10,103,513</u>	<u>\$ 12,056,756</u>

City of Center Line

CHANGES IN NET POSITION

2004-2013
(Unaudited)

	Fiscal			
	2004	2005	2006	2007
Expenses				
Governmental activities				
General government	\$ 1,512,749	\$ 1,720,001	\$ 1,737,426	\$ 1,785,361
Public safety	3,293,355	3,460,329	3,740,349	3,821,420
Public works	1,390,908	1,407,486	1,387,622	1,463,503
Community and economic development	-	-	-	-
Recreation and culture	695,452	686,449	662,496	677,994
Interest on long-term debt	236,830	51,564	72,655	69,744
Total governmental activities expenses	<u>7,129,294</u>	<u>7,325,829</u>	<u>7,600,548</u>	<u>7,818,022</u>
Business-type activities				
Water and sewer	2,554,142	2,676,355	3,055,652	3,377,769
Solid waste disposal	276,684	263,336	274,606	272,747
Total business-type activities expenses	<u>2,830,826</u>	<u>2,939,691</u>	<u>3,330,258</u>	<u>3,650,516</u>
Total primary government expenses	<u>\$ 9,960,120</u>	<u>\$ 10,265,520</u>	<u>\$ 10,930,806</u>	<u>\$ 11,468,538</u>
Program Revenues				
Governmental activities				
Charges for services				
District court	\$ 527,614	\$ 576,517	\$ 606,087	\$ 563,347
Public safety	88,244	134,108	185,670	131,168
Parks and recreation	63,201	49,836	42,707	38,814
Other activities	66,805	72,538	91,658	79,928
Operating grants and contributions	640,391	601,235	656,005	603,819
Capital grants and contributions	91,273	88,767	86,988	88,513
Total governmental activities program revenues	<u>1,477,528</u>	<u>1,523,001</u>	<u>1,669,115</u>	<u>1,505,589</u>
Business-type activities				
Charges for services				
Water and sewer	1,698,325	1,788,449	1,924,095	1,882,613
Solid waste disposal	283,399	283,506	239,692	228,483
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	<u>1,981,724</u>	<u>2,071,955</u>	<u>2,163,787</u>	<u>2,111,096</u>
Total primary government program revenues	<u>\$ 3,459,252</u>	<u>\$ 3,594,956</u>	<u>\$ 3,832,902</u>	<u>\$ 3,616,685</u>
Net (Expenses) Revenue				
Governmental activities	\$ (5,651,766)	\$ (5,802,828)	\$ (5,931,433)	\$ (6,312,433)
Business-type activities	<u>(849,102)</u>	<u>(867,736)</u>	<u>(1,166,471)</u>	<u>(1,539,420)</u>
Total primary government net (expense) revenue	<u>\$ (6,500,868)</u>	<u>\$ (6,670,564)</u>	<u>\$ (7,097,904)</u>	<u>\$ (7,851,853)</u>

Year					
2008	2009	2010	2011	2012	2013
\$ 1,813,174	\$ 1,745,929	\$ 1,771,562	\$ 2,111,183	\$ 3,153,088	\$ 2,132,772
3,831,197	3,823,534	5,038,403	4,773,589	4,321,094	3,927,324
1,546,382	1,600,611	1,507,733	1,809,474	1,453,464	1,172,768
-	-	-	-	84,166	140,796
715,316	807,391	886,287	826,127	745,228	532,596
68,257	65,432	53,102	42,866	30,267	27,286
7,974,326	8,042,897	9,257,087	9,563,239	9,787,307	7,933,542
2,928,603	2,495,624	2,420,366	2,621,762	2,923,094	2,905,293
312,631	304,988	296,570	294,384	313,225	306,917
3,241,234	2,800,612	2,716,936	2,916,146	3,236,319	3,212,210
<u>\$ 11,215,560</u>	<u>\$ 10,843,509</u>	<u>\$ 11,974,023</u>	<u>\$ 12,479,385</u>	<u>\$ 13,023,626</u>	<u>\$ 11,145,752</u>
\$ 505,867	\$ 407,074	\$ 393,814	\$ 389,462	\$ 380,363	\$ 380,363
151,959	96,122	127,976	120,992	164,371	217,342
51,053	109,034	36,636	90,080	132,131	132,131
88,080	89,622	114,046	179,569	314,941	335,112
579,491	512,524	445,665	801,719	535,260	552,424
86,756	173,100	413	86,756	657,881	212,552
1,463,206	1,387,476	1,118,550	1,668,578	2,184,947	1,829,924
2,150,173	2,301,408	2,547,962	3,308,091	2,907,143	2,640,675
225,778	207,626	236,900	295,366	319,694	343,837
-	1,929,082	1,689,247	-	-	-
2,375,951	4,438,116	4,474,109	3,603,457	3,226,837	2,984,512
<u>\$ 3,839,157</u>	<u>\$ 5,825,592</u>	<u>\$ 5,592,659</u>	<u>\$ 5,272,035</u>	<u>\$ 5,411,784</u>	<u>\$ 4,814,436</u>
\$ (6,511,120)	\$ (6,655,421)	\$ (8,138,537)	\$ (7,894,661)	\$ (7,602,360)	\$ (6,103,618)
(865,283)	1,637,504	1,757,173	687,311	(9,482)	(227,698)
<u>\$ (7,376,403)</u>	<u>\$ (5,017,917)</u>	<u>\$ (6,381,364)</u>	<u>\$ (7,207,350)</u>	<u>\$ (7,611,842)</u>	<u>\$ (6,331,316)</u>

CONTINUED

City of Center Line

CHANGES IN NET POSITION - CONCLUDED

2004-2013
(Unaudited)

	Fiscal			
	2004	2005	2006	2007
General Revenues				
Governmental activities				
Taxes	\$ 4,934,605	\$ 5,098,809	\$ 5,682,436	\$ 6,159,702
Payment in lieu of taxes	-	-	-	-
State shared revenue	1,053,733	1,038,233	1,027,807	1,001,323
Sale of tax reversion properties	-	-	-	-
Cable franchise fees	93,565	74,591	76,108	88,508
Investment earnings	64,264	80,024	129,631	128,892
Miscellaneous	40,295	40,750	94,208	45,120
Income from joint venture	3,400	550	(19,161)	(3,056)
Gain (loss) on sale of capital assets	20,852	15,600	(19,959)	-
Transfers	(1,695,631)	(860,424)	(915,550)	(849,065)
Total governmental activities general revenues	<u>4,515,083</u>	<u>5,488,133</u>	<u>6,055,520</u>	<u>6,571,424</u>
Business-type activities				
Investment earnings	24,662	45,293	87,872	64,250
Miscellaneous	-	-	-	-
Gain (loss) on sale of capital assets	(4,190)	-	-	-
Transfers	<u>1,695,631</u>	<u>860,424</u>	<u>915,550</u>	<u>849,065</u>
Total business-type activities general revenues	<u>1,716,103</u>	<u>905,717</u>	<u>1,003,422</u>	<u>913,315</u>
Total primary government general revenues	<u>\$ 6,231,186</u>	<u>\$ 6,393,850</u>	<u>\$ 7,058,942</u>	<u>\$ 7,484,739</u>
Change in Net Assets				
Governmental activities	\$ (1,287,745)	\$ (443,300)	\$ (256,913)	\$ 60,304
Business-type activities	<u>848,367</u>	<u>(260,754)</u>	<u>(535,998)</u>	<u>48,032</u>
Total primary government	<u>\$ (439,378)</u>	<u>\$ (704,054)</u>	<u>\$ (792,911)</u>	<u>\$ 108,336</u>

Notes:

(1) Source: City of Center Line Basic Financial Statements.

Year					
2008	2009	2010	2011	2012	2013
\$ 6,028,915	\$ 5,534,760	\$ 6,101,227	\$ 5,285,060	\$ 5,954,228	\$ 6,648,366
-	-	-	-	89,117	97,160
998,627	964,912	858,193	858,193	805,267	835,099
-	-	-	-	79,335	152,053
127,618	119,734	151,916	132,088	138,814	180,558
165,774	89,962	18,311	18,585	8,807	19,470
99,391	223,215	110,928	124,932	287,644	349,911
(20,938)	(5,068)	2,800	285,519	-	-
-	-	-	-	-	-
(927,046)	(860,214)	(848,750)	(913,955)	(596,141)	(888,330)
6,472,341	6,067,301	6,394,625	5,790,422	6,767,071	7,394,287
30,195	68,397	20,177	65,157	2,055	1,942
-	-	-	-	-	-
-	-	-	-	-	-
927,046	860,214	848,750	913,955	596,141	888,330
957,241	928,611	868,927	979,112	598,196	890,272
<u>\$ 7,429,582</u>	<u>\$ 6,995,912</u>	<u>\$ 7,263,552</u>	<u>\$ 6,769,534</u>	<u>\$ 7,365,267</u>	<u>\$ 8,284,559</u>
\$ (183,080)	\$ (2,071,236)	\$ (1,500,036)	\$ (1,811,938)	\$ (835,289)	\$ 1,290,669
2,594,745	2,685,784	1,556,238	969,630	588,714	662,574
<u>\$ 2,411,665</u>	<u>\$ 614,548</u>	<u>\$ 56,202</u>	<u>\$ (842,308)</u>	<u>\$ (246,575)</u>	<u>\$ 1,953,243</u>

City of Center Line

FUND BALANCES

GOVERNMENTAL FUNDS

2004-2013
(Unaudited)

	Fiscal			
	2004	2005	2006	2007
General Fund				
Reserved	\$ 231,551	\$ 249,764	\$ 488,478	\$ 863,595
Unreserved	728,552	597,406	624,208	702,584
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>\$ 960,103</u>	<u>\$ 847,170</u>	<u>\$ 1,112,686</u>	<u>\$ 1,566,179</u>
All other governmental funds				
Unreserved, reported in:				
Special revenue funds	\$ 218,594	\$ 434,872	\$ 456,130	\$ 406,669
Capital projects funds	258,229	75,054	45,208	44,913
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	-
Total all other governmental funds	<u>\$ 476,823</u>	<u>\$ 509,926</u>	<u>\$ 501,338</u>	<u>\$ 451,582</u>

Notes:

- (1) The City implemented GASB Statement No. 54 in fiscal year 2011 which changed the classification of fund balances.
- (2) Source: City of Center Line Basic Financial Statements.

Year					
2008	2009	2010	2011 ⁽¹⁾	2012	2013
\$ 816,201	\$ 241,435	\$ 407,601	\$ -	\$ -	\$ -
812,463	867,773	1,189,518	-	-	-
-	-	-	260,272	76,574	95,183
-	-	-	194,375	-	-
-	-	-	-	-	132,214
-	-	-	524,305	1,874,994	1,600,000
<u>\$ 1,628,664</u>	<u>\$ 1,109,208</u>	<u>\$ 1,597,119</u>	<u>\$ 978,952</u>	<u>\$ 1,951,568</u>	<u>\$ 1,827,397</u>
\$ 362,807	\$ 370,295	\$ 608,823	\$ -	\$ -	\$ -
45,299	45,598	45,626	-	-	-
-	-	-	-	-	63,352
-	-	-	237,608	386,085	881,325
-	-	-	-	397,354	677,347
<u>\$ 408,106</u>	<u>\$ 415,893</u>	<u>\$ 654,449</u>	<u>\$ 237,608</u>	<u>\$ 783,439</u>	<u>\$ 1,622,024</u>

City of Center Line

CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

2004-2013
(Unaudited)

	Fiscal			
	2004	2005	2006	2007
Revenues				
Taxes	\$ 5,033,425	\$ 5,255,859	\$ 5,760,559	\$ 6,254,261
Licenses and permits	132,351	183,931	226,821	229,564
Intergovernmental	1,680,572	1,631,023	1,710,696	1,583,097
Charges for services	553,166	602,470	662,842	591,050
Fines and forfeits	-	-	-	-
Interest and rents	64,264	80,024	129,631	128,892
Other revenue	467,439	435,296	441,775	512,907
Total revenues	<u>7,931,217</u>	<u>8,188,603</u>	<u>8,932,324</u>	<u>9,299,771</u>
Expenditures				
General government	1,588,627	1,808,017	1,863,630	2,031,617
Public safety	3,135,701	3,319,273	3,655,648	3,711,179
Public works	1,174,031	1,193,619	1,475,443	1,520,536
Community and economic development	-	-	-	-
Recreation and cultural	600,752	606,818	596,996	648,062
Capital outlay	949,544	236,022	35,902	295
Debt service				
Principal	243,292	277,303	199,081	194,352
Interest and fiscal charges	83,500	80,451	67,128	67,622
Total expenditures	<u>7,775,447</u>	<u>7,521,503</u>	<u>7,893,828</u>	<u>8,173,663</u>
Excess of revenues over (under) expenditures	155,770	667,100	1,038,496	1,126,108
Other financing sources (uses)				
Proceeds from borrowing	6,291	113,494	133,982	126,694
Transfers in	97,953	118,788	83,521	82,000
Transfers out	(988,154)	(979,212)	(999,071)	(931,065)
Total other financing sources (uses)	<u>(883,910)</u>	<u>(746,930)</u>	<u>(781,568)</u>	<u>(722,371)</u>
Net change in fund balances	<u>\$ (728,140)</u>	<u>\$ (79,830)</u>	<u>\$ 256,928</u>	<u>\$ 403,737</u>
Debt service as a percentage of noncapital expenditures ⁽²⁾	4.69%	4.83%	3.49%	3.29%

Notes:

(1) Source: City of Center Line Basic Financial Statements.

(2) For purposes of the calculation of percentage of noncapital expenditures, debt service does not include contributions to the OPEB investment trust.

Year					
2008	2009	2010	2011	2012	2013
\$ 6,115,672	\$ 5,643,376	\$ 6,068,121	\$ 5,442,454	\$ 6,006,033	\$ 6,755,369
234,143	186,456	248,059	200,814	224,892	220,323
1,588,046	1,472,091	1,291,701	1,665,284	2,077,125	1,704,418
558,510	590,262	492,318	447,578	514,051	421,712
-	-	-	-	477,934	391,183
165,774	89,962	18,311	18,585	8,807	19,469
485,699	634,413	413,230	512,339	470,865	594,277
9,147,844	8,616,560	8,531,740	8,287,054	9,779,707	10,106,751
1,959,636	1,882,594	1,500,432	1,893,487	2,262,143	1,858,617
3,754,299	3,738,654	3,488,192	3,512,973	3,260,722	3,443,977
1,501,631	1,498,581	1,030,688	1,481,128	1,111,931	1,124,804
-	-	-	-	84,166	140,796
699,268	757,714	627,239	615,007	545,785	471,955
92	178,755	3,696	-	139,769	221,437
218,954	275,201	252,596	253,607	225,511	1,213,927
67,909	59,652	53,680	44,042	35,092	28,494
8,201,789	8,391,151	6,956,523	7,800,244	7,665,119	8,504,007
946,055	225,409	1,575,217	486,810	2,114,588	1,602,744
-	123,136	-	-	-	-
154,000	126,122	-	148,000	1,247,535	1,455,702
(1,081,046)	(986,336)	(848,750)	(1,061,955)	(1,843,676)	(2,344,032)
(927,046)	(737,078)	(848,750)	(913,955)	(596,141)	(888,330)
\$ 19,009	\$ (511,669)	\$ 726,467	\$ (427,145)	\$ 1,518,447	\$ 714,414
3.55%	4.08%	4.42%	3.82%	3.45%	2.07%

City of Center Line

ASSESSED TAXABLE VALUES (HISTORY OF PROPERTY VALUES)

2004-2013
(Unaudited)

Fiscal Year (Tax Year)	Property			
	Residential	Commercial	Industrial	Personal Property
2004 (2003)				
SEV	\$ 138,960,850	\$ 55,466,000	\$ 37,102,640	\$ 56,353,983
Taxable	106,294,737	43,546,649	32,459,554	56,353,983
2005 (2004)				
SEV	145,314,780	55,816,580	37,264,570	48,972,024
Taxable	110,821,131	45,130,184	33,073,718	48,972,024
2006 (2005)				
SEV	150,142,898	57,428,140	37,155,590	48,021,446
Taxable	115,352,701	46,119,383	33,577,035	48,021,446
2007 (2006)				
SEV	155,551,333	55,716,680	37,409,230	50,423,794
Taxable	121,242,818	45,065,647	34,538,578	50,423,794
2008 (2007)				
SEV	155,052,559	55,818,590	37,080,030	45,921,179
Taxable	126,060,118	45,471,258	35,166,578	45,921,179
2009 (2008)				
SEV	139,756,545	51,087,016	33,830,400	44,529,203
Taxable	125,189,922	46,802,599	33,785,958	44,529,203
2010 (2009)				
SEV	115,978,652	51,665,092	35,223,770	41,200,224
Taxable	114,266,596	49,167,957	35,170,471	41,200,224
2011 (2010)				
SEV	95,402,279	51,053,302	31,985,320	35,444,185
Taxable	95,266,415	49,562,686	31,895,955	35,444,185
2012 (2011)				
SEV	81,087,524	45,991,740	24,387,950	33,194,661
Taxable	81,031,376	45,879,627	24,317,636	33,190,835
2013 (2012)				
SEV	70,145,360	45,994,940	21,713,872	32,458,965
Taxable	69,920,547	46,059,316	21,556,583	32,358,965

Notes:

- (1) SEV is the state equalized value or assessed value
- (2) Tax rates are per \$1,000 of taxable value.
- (3) Taxable value is equal to approximately 50% of actual market value.
- (4) Source: Assessor's equalization reports.

Value	Personal Property as a Percentage of Total Value	Taxable Value as a Percentage of SEV	Total Direct Tax Rate
Total			
\$ 287,883,473	19.58%		
238,654,923	23.61%	82.90%	20.6360
287,367,954	17.04%		
237,997,057	20.58%	82.82%	21.2997
292,748,074	16.40%		
243,070,565	19.76%	83.03%	23.1496
299,101,037	16.86%		
251,270,837	20.07%	84.01%	23.2657
293,872,358	15.63%		
252,619,133	18.18%	85.96%	22.6223
269,203,164	16.54%		
250,307,682	17.79%	92.98%	21.2329
244,067,738	16.88%		
239,805,248	17.18%	98.25%	23.8266
213,885,086	16.57%		
212,169,241	16.71%	99.20%	24.9025
184,661,875	17.98%		
184,419,474	18.00%	99.87%	31.7022
170,313,137	19.06%		
169,895,411	19.05%	99.75%	38.3328

City of Center Line

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

2004-2013
(Unaudited)

Fiscal Year (Tax Year)	City Direct Rates					Overlapping		
	General	Debt	Police and Fire Pension	Public Safety ⁽²⁾	Total	Center Line Public Schools	Van Dyke Public Schools	Macomb County Intermediate School District
2004 (2003)								
Homestead	14.6630	4.4250	1.5480	0.0000	20.6360	23.8646	12.7600	2.9729
Non-Homestead	14.6630	4.4250	1.5480	0.0000	20.6360	25.0000	30.7600	2.9729
2005 (2004)								
Homestead	14.6630	4.3530	2.2837	0.0000	21.2997	24.5354	13.7600	2.9615
Non-Homestead	14.6630	4.3530	2.2837	0.0000	21.2997	26.0000	31.7600	2.9615
2006 (2005)								
Homestead	14.6630	5.3261	3.1605	0.0000	23.1496	23.5778	13.7600	2.9430
Non-Homestead	14.6630	5.3261	3.1605	0.0000	23.1496	26.0000	31.7600	2.9430
2007 (2006)								
Homestead	14.6630	5.1724	3.4303	0.0000	23.2657	22.1022	11.9906	2.9430
Non-Homestead	14.6630	5.1724	3.4303	0.0000	23.2657	26.0000	29.9906	2.9430
2008 (2007)								
Homestead	14.6630	3.9977	3.9616	0.0000	22.6223	21.8022	11.9906	2.9430
Non-Homestead	14.6630	3.9977	3.9616	0.0000	22.6223	25.7000	29.9906	2.9430
2009 (2008)								
Homestead	14.6630	1.5952	4.9747	0.0000	21.2329	16.6028	14.3906	2.9430
Non-Homestead	14.6630	1.5952	4.9747	0.0000	21.2329	25.6000	32.3906	2.9430
2010 (2009)								
Homestead	14.6630	4.0350	5.1286	0.0000	23.8266	17.9406	14.8406	2.9430
Non-Homestead	14.6630	4.0350	5.1286	0.0000	23.8266	25.6000	32.8406	2.9430
2011 (2010)								
Homestead	14.6630	4.9054	5.3341	0.0000	24.9025	20.4645	14.9906	2.9430
Non-Homestead	14.6630	4.9054	5.3341	0.0000	24.9025	25.8000	32.9906	2.9430
2012 (2011)								
Homestead	14.6630	4.3632	5.1760	7.5000	31.7022	20.7758	13.0000	2.9430
Non-Homestead	14.6630	4.3632	5.1760	7.5000	31.7022	25.9000	31.0000	2.9430
2013 (2012)								
Homestead	14.6630	7.6288	8.5410	7.5000	38.3328	25.3354	13.0000	2.9430
Non-Homestead	14.6630	7.6288	8.5410	7.5000	38.3328	26.8000	31.0000	2.9430

Notes:

(1) Table in mills

(2) The Public Safety millage was passed by election in August 2011, to be levied annually for ten years beginning in fiscal year 2012

(3) Source: Tax Warrants issued by City Assessor

Rates							Total Direct and Overlapping Rates by Resident's School District	
Macomb County Community College	Macomb County	Huron/Clinton Metro Authority	S.M.A.R.T.	County Zoo Authority	County Art Authority	Veterans Operations	Center Line Public Schools	Van Dyke Public Schools
1.5859	4.2058	0.2161	0.5973	0.0000	0.0000	0.0000	54.0786	42.9740
1.5859	4.2058	0.2161	0.5973	0.0000	0.0000	0.0000	55.2140	60.9740
1.5002	4.2058	0.2161	0.5973	0.0000	0.0000	0.0000	55.3160	44.5406
1.5002	4.2058	0.2161	0.5973	0.0000	0.0000	0.0000	56.7806	62.5406
1.4212	4.2058	0.2146	0.5912	0.0000	0.0000	0.0000	56.1032	46.2854
1.4212	4.2058	0.2146	0.5912	0.0000	0.0000	0.0000	58.5254	64.2854
1.4212	4.2055	0.2146	0.5900	0.0000	0.0000	0.0000	54.7422	44.6306
1.4212	4.2055	0.2146	0.5900	0.0000	0.0000	0.0000	58.6400	62.6306
1.4212	4.2055	0.2146	0.5900	0.0000	0.0000	0.0000	53.7988	43.9872
1.4212	4.2055	0.2146	0.5900	0.0000	0.0000	0.0000	57.6966	61.9872
1.4212	4.2055	0.2146	0.5900	0.1000	0.0000	0.0400	47.3500	45.1378
1.4212	4.2055	0.2146	0.5900	0.1000	0.0000	0.0400	56.3472	63.1378
1.4212	4.5735	0.2146	0.5900	0.1000	0.0000	0.0400	51.6495	48.5495
1.4212	4.5735	0.2146	0.5900	0.1000	0.0000	0.0400	59.3089	66.5495
1.4212	4.5735	0.2146	0.5900	0.1000	0.0000	0.0400	55.2493	49.7754
1.4212	4.5735	0.2146	0.5900	0.1000	0.0000	0.0400	60.5848	67.7754
1.5712	4.5735	0.2146	0.5900	0.1000	0.0000	0.0400	62.5103	54.7345
1.5712	4.5735	0.2146	0.5900	0.1000	0.0000	0.0400	67.6345	72.7345
1.5712	4.5735	0.2146	0.5900	0.1000	0.2000	0.0400	73.9005	61.5651
1.5712	4.5735	0.2146	0.5900	0.1000	0.2000	0.0400	75.3651	79.5651

City of Center Line

PRINCIPAL PROPERTY TAXPAYERS (MAJOR TAXPAYERS)

June 30, 2013 and 2004
(Unaudited)

Company Name	Product/Service	Year Ended June 30, 2013			Year Ended June 30, 2004		
		Taxable Value	Rank	Percent of Total City Taxable Value	Taxable Value	Rank	Percent of Total City Taxable Value
Chrysler Group, LLC	Automotive	\$ 18,758,905	1	11.04	\$ 33,440,801	1	14.01
AZ Automotive Corporation	Automotive	12,605,665	2	7.42	18,945,529	2	7.94
Kramer Homes Co-Op	Housing	5,052,266	3	2.97	4,808,867	3	2.01
Whitlam Label Company	Automotive	3,621,095	4	2.13	3,367,237	6	1.41
WICO Metal Products	Automotive	3,495,638	5	2.06	4,471,082	4	1.87
Father Murray Nursing, LLC	Nursing Home	2,907,740	6	1.71	1,394,114		0.58
Edgar Rinke	Car Sales	2,906,015	7	1.71	3,967,907	5	1.66
International Transmission	Automotive	2,868,662	8	1.69	-		-
Lawrence Park Housing	Housing	1,941,840	9	1.14	-		-
Detroit Edison Company	Utilities	1,761,348	10	1.04	2,391,258	8	1.00
Center Line Park Towers	Housing	-		-	3,107,087	7	1.30
BAE Manufacturing	Automotive	-		-	2,303,719	9	0.97
Amurcon Management Services	Housing	-		-	2,057,029	10	0.86
	Ten largest taxpayers	55,919,174		32.91	80,254,630		33.63
	Other taxpayers	113,976,237			158,400,293		
	Total taxable value	\$ 169,895,411			\$ 238,654,923		

Note:

(1) Source: City Assessor

City of Center Line

PROPERTY TAX LEVIES AND COLLECTIONS

2004-2013
(Unaudited)

Fiscal Year (Tax Year)	Total Tax Levy ⁽¹⁾	Collected Within the Fiscal Year of the Levy		Subsequent Collection of Delinquent Taxes	Total Collections to Date	Percent Collected ⁽²⁾
		Amount	Percentage			
2004 (2003)	4,924,883	4,771,709	96.89%	124,439	4,896,148	99.42%
2005 (2004)	5,069,266	4,904,638	96.75%	148,223	5,052,861	99.68%
2006 (2005)	5,626,986	5,437,183	96.63%	179,267	5,616,450	99.81%
2007 (2006)	5,845,992	5,591,424	95.65%	229,094	5,820,518	99.56%
2008 (2007)	5,714,826	5,402,103	94.53%	291,689	5,693,792	99.63%
2009 (2008)	5,314,758	5,083,864	95.66%	221,820	5,305,684	99.83%
2010 (2009)	5,713,744	5,352,645	93.68%	338,734	5,691,379	99.61%
2011 (2010)	5,283,545	5,010,318	94.83%	257,534	5,267,852	99.70%
2012 (2011)	5,846,503	5,556,146	95.03%	273,530	5,829,676	99.71%
2013 (2012)	6,512,567	6,177,943	94.86%	326,495	6,504,438	99.88%

Notes:

- (1) Includes ad valorem operational, debt, pension, and public safety taxes, but does not include penalty and interest on late payment of taxes.
- (2) Macomb County pays the City of Center Line the full amount of the delinquent real property taxes upon settlement in March of each year. Generally, amounts not collected represent personal property taxes outstanding.
- (3) Source: City Treasurer's Office

City of Center Line

RATIOS OF OUTSTANDING DEBT BY TYPE

2004-2013
(Unaudited)

Fiscal Year	Population		Assessed Value of Property ⁽⁵⁾	Governmental Activities ⁽²⁾			Business-
				General Obligation Bonds	Special Assessment Bonds	Installment Purchase Agreements	General Obligation Bonds
2004	8,531	⁽³⁾	\$ 287,883,473	\$ 1,575,000	\$ 680,000	\$ 50,000	\$10,117,667
2005	8,531	⁽³⁾	287,367,954	1,449,238	595,000	90,707	9,699,096
2006	8,531	⁽³⁾	292,748,074	1,363,472	510,000	201,901	9,205,529
2007	8,531	⁽³⁾	299,101,037	1,305,826	425,000	279,011	8,758,842
2008	8,531	⁽³⁾	293,872,358	1,246,775	340,000	204,086	8,228,793
2009	8,531	⁽³⁾	269,203,164	1,159,623	255,000	228,118	7,726,332
2010	8,531	⁽³⁾	244,067,738	1,071,066	170,000	151,356	11,389,697
2011	8,257	⁽⁴⁾	213,885,086	979,700	85,000	73,725	11,297,869
2012	8,257	⁽⁴⁾	186,993,509	888,287	-	24,627	10,513,092
2013	8,257	⁽⁴⁾	173,048,141	768,806	-	-	9,959,943

Notes:

(1) Per capita income data for 2012 and 2013 is not readily available.

(2) Source: City of Center Line Notes to the Financial Statements.

(3) Source: 2000 Census Report

(4) Source: 2010 Census Report

(5) Source: Assessor's equalization reports

Type Activities ⁽²⁾		Installment Purchase Agreements	Total Primary Government	Net Debt to Assessed Value	Net Debt Per Capita	Percentage of Personal Income	
Revenue Bonds							
\$ 165,000	\$ -		\$ 12,587,667	4.37%	\$ 1,475.52	4.09%	
150,000	162,489		12,146,530	4.23%	1,423.81	3.84%	
135,000	121,978		11,537,880	3.94%	1,352.47	3.57%	
115,000	133,112		11,016,791	3.68%	1,291.38	3.29%	
95,000	371,539		10,486,193	3.57%	1,229.19	3.10%	
75,000	248,480		9,692,553	3.60%	1,136.16	3.10%	
50,000	165,653		12,997,772	5.33%	1,523.59	4.04%	
25,000	82,826		12,544,120	5.86%	1,519.21	3.80%	(1)
-	-		11,426,006	6.11%	1,383.80	N/A	(1)
-	-		10,728,749	6.20%	1,299.35	N/A	(1)

City of Center Line

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING

2004-2013
(Unaudited)

Fiscal Year	Population	Assessed Value of Property ⁽⁷⁾	General Obligation Bonds ⁽¹⁾⁽³⁾⁽⁴⁾	Bonded Debt Service Funds Available ⁽²⁾⁽³⁾
2004	8,531 ⁽⁵⁾	\$ 287,883,473	\$ 11,692,667	\$ 14,050
2005	8,531 ⁽⁵⁾	287,367,954	11,148,334	12,009
2006	8,531 ⁽⁵⁾	292,748,074	10,569,001	236,380
2007	8,531 ⁽⁵⁾	299,101,037	10,064,668	586,520
2008	8,531 ⁽⁵⁾	293,872,358	9,475,568	595,180
2009	8,531 ⁽⁵⁾	269,203,164	8,885,955	9,600
2010	8,531 ⁽⁵⁾	244,067,738	12,460,763	7,778
2011	8,257 ⁽⁶⁾	213,885,086	12,277,569	7,297
2012	8,257 ⁽⁶⁾	186,993,509	11,401,379	-
2013	8,257 ⁽⁶⁾	173,048,141	10,728,749	104,306

Notes:

(1) Amount does not include special assessment debt.

(2) Amount does not include funds available for retirement of special assessment debt.

(3) Source: City of Center Line Notes to the Financial Statements.

(4) Amount includes both governmental and business-type activity general obligation debt.

(5) Source: 2000 Census report

(6) Source: 2010 Census report

(7) Source: Assessor's equalization reports

<u>Net General Bonded Debt</u>	<u>Net Debt to Assessed Value</u>	<u>Net Debt Per Capita</u>
\$11,678,617	1.16%	\$ 309.92
11,136,325	1.18%	345.85
10,332,621	1.29%	413.20
9,478,148	1.18%	390.07
8,880,388	1.77%	610.69
8,876,355	3.30%	1,040.48
12,452,985	5.10%	1,459.73
12,270,272	5.74%	1,486.04
11,401,379	6.10%	1,380.81
10,624,443	6.14%	1,286.72

City of Center Line

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

June 30, 2013
(Unaudited)

DIRECT DEBT OUTSTANDING⁽²⁾

Unlimited Tax General Obligation Bonds	
2004 Refunding Bonds	\$ 2,734,953
2011 Refunding Bonds	3,461,945
Limited Tax General Obligation Bonds	
2010 State Revolving Fund (SRF) Wastewater Bonds	<u>4,531,851</u>

TOTAL DIRECT DEBT OUTSTANDING \$ 10,728,749

Overlapping Debt

38.21%	⁽¹⁾ Center Line Public School District ⁽³⁾	\$ 10,161,390	\$ 3,882,667
2.15%	⁽¹⁾ Van Dyke Public School District ⁽³⁾	63,984,627	1,375,669
0.71%	⁽¹⁾ Macomb County at large ⁽⁴⁾	305,219,474	2,167,058
0.70%	⁽¹⁾ Macomb Community College ⁽³⁾	11,741,568	<u>82,191</u>

TOTAL OVERLAPPING DEBT OUTSTANDING 7,507,585

TOTAL DIRECT AND OVERLAPPING DEBT OUTSTANDING \$ 18,236,334

Notes:

- (1) The percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the City's boundaries and dividing it by each unit's total taxable value.
- (2) Source: City of Center Line Notes to the Financial Statements
- (3) Source: Audit report dated June 30, 2012
- (4) Source: Audit report dated December 31, 2012

City of Center Line

LEGAL DEBT MARGIN

June 30, 2013
(Unaudited)

State Taxable Assessed Value		
Real property		\$ 139,053,565
Personal property		32,463,952
Industrial facilities ⁽¹⁾		<u>2,110,857</u>
 Total taxable assessed value		 <u><u>\$ 173,628,374</u></u>
 Debt Limit		
10% of State equalized assessed value		\$ 17,362,837
 Amount of Debt Applicable to Debt Limit		
Total bonded debt	\$ 10,728,749	
 Less:		
Amount available in debt service funds	104,306	
State Revolving Fund (SRF) Wastewater bonds	<u>4,531,851</u>	
 Total amount of debt applicable to debt limit		 <u>6,092,592</u>
 Legal debt margin		 <u><u>\$ 11,270,245</u></u>

Note:

(1) Adjusted to State Equalized Equivalent

Bonds which are not required to be included in this computation of net indebtedness, according to Public Act 279 of 1909, as amended, are:

- A. Special assessment bonds
- B. Mortgage bonds
- C. Motor vehicle highway fund bonds
- D. Revenue bonds
- E. Bonds issued, or contracts or assessment obligation, incurred to comply with an order of the Water Resources Commission or a court of competent jurisdiction.
- F. Other obligations incurred for water supply, sewage, and drainage or refuse disposal projects necessary to protect the public health by abating pollution.

City of Center Line

HISTORICAL LEGAL DEBT MARGINS

2004-2013
(Unaudited)

Fiscal Year	Debt Limit	Net Applicable Debt	Legal Debt Margin	Ratio
2003	\$ 28,370,109	\$ 12,060,000	\$ 16,310,109	42.51%
2004	28,913,347	11,692,667	17,220,680	40.44%
2005	28,861,795	11,148,334	17,713,461	38.63%
2006	29,399,807	10,569,001	18,830,806	35.95%
2007	30,035,103	10,064,668	19,970,435	33.51%
2008	29,512,235	9,475,568	20,036,667	32.11%
2009	27,045,316	8,885,995	18,159,321	32.86%
2010	24,531,773	8,091,665	16,440,108	32.98%
2011	21,513,508	7,597,334	13,916,174	35.31%
2012	18,792,230	6,875,984	11,916,246	36.59%
2013	17,362,837	6,092,592	11,270,245	35.09%

Note:

(1) Source: City of Center Line Treasurer's office.

City of Center Line
PLEDGED REVENUE COVERAGE
 2004-2013
 (Unaudited)

Limited Tax Obligation Bonds⁽¹⁾					
Fiscal Year Ended	Collections	Debt Service			Coverage
		Principal	Interest	Total	
2010	\$ -	\$ -	\$ 32,338	\$ 32,338	0.00%
2011	353,557	207,000	114,219	321,219	110.07%
2012	327,598	210,000	117,598	327,598	100.00%
2013	319,904	205,000	114,904	319,904	100.00%

Revenue Bonds⁽³⁾					
Fiscal Year Ended	Collections	Debt Service			Coverage
		Principal	Interest	Total	
2004	\$ 27,384	\$ 15,000	\$ 12,384	\$ 27,384	100.00%
2005	26,323	15,000	11,323	26,323	100.00%
2006	25,258	15,000	10,258	25,258	100.00%
2007	29,011	20,000	9,011	29,011	100.00%
2008	27,581	20,000	7,581	27,581	100.00%
2009	26,146	20,000	6,146	26,146	100.00%
2010	29,526	25,000	4,526	29,526	100.00%
2011	27,719	25,000	2,719	27,719	100.00%
2012	25,906	25,000	906	25,906	100.00%
2013	-	-	-	-	N/A

Special Assessment Bonds⁽³⁾					
Fiscal Year Ended	Collections ⁽²⁾	Debt Service			Coverage ⁽²⁾
		Principal	Interest	Total	
2004	\$ 91,273	\$ 80,000	\$ 27,183	\$ 107,183	85.16%
2005	88,767	85,000	24,501	109,501	81.07%
2006	86,988	85,000	21,739	106,739	81.50%
2007	88,513	85,000	18,891	103,891	85.20%
2008	86,745	85,000	15,831	100,831	86.03%
2009	173,100	85,000	12,538	97,538	177.47%
2010	413	85,000	9,074	94,074	0.44%
2011	86,756	85,000	5,504	90,504	95.86%
2012	86,756	85,000	1,849	86,849	99.89%
2013	-	-	-	-	N/A

Notes:

- (1) No limited tax obligation bonds were issued by the City prior to fiscal year 2010.
- (2) Customers may choose to make special assessment payments up front to avoid paying interest to the City, which creates uneven payment streams over the life of the assessment.
- (3) The City did not hold any outstanding revenue bonds or special assessment bonds after fiscal year 2012.
- (4) Source: City of Center Line Basic Financial Statements.

City of Center Line
DEMOGRAPHIC STATISTICS
2004-2013
(Unaudited)

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Personal Income Per Capital⁽²⁾⁽⁵⁾</u>	<u>Unemployment Rate⁽⁶⁾</u>
2004	8,531 ⁽³⁾	160,514,785	36,104	7.6%
2005	8,531 ⁽³⁾	164,087,371	37,031	7.6%
2006	8,531 ⁽³⁾	167,251,534	37,928	7.3%
2007	8,531 ⁽³⁾	171,632,686	39,211	7.9%
2008	8,531 ⁽³⁾	171,928,826	39,619	8.6%
2009	8,531 ⁽³⁾	157,859,094	36,612	16.3%
2010	8,531 ⁽³⁾	161,676,288	37,680	14.0%
2011	8,257 ⁽⁴⁾	171,472,741	40,009	12.4%
2012	8,257 ⁽⁴⁾	- ⁽¹⁾	- ⁽¹⁾	11.0%
2013	8,257 ⁽⁴⁾	- ⁽¹⁾	- ⁽¹⁾	10.3%

Notes:

- (1) Data for 2012 and 2013 is not readily available.
- (2) Personal income per capita and unemployment rates are presented for the Detroit, Livonia, Warren metropolitan area.
- (3) Source: 2000 Census Report
- (4) Source: 2010 Census Report
- (5) Source: Bureau of Economic Analysis: Regional Economic Accounts
- (6) Source: Bureau of Labor Statistics

City of Center Line
CONCENTRATION OF WORKFORCE
June 30, 2013 and 2004
(Unaudited)

Industry	2013		2004	
	Number of Jobs ⁽¹⁾⁽²⁾	Percentage of Workforce	Number of Jobs ⁽¹⁾⁽²⁾	Percentage of Workforce
Professional and Business Services	344,900	18.58%	367,000	17.71%
Trade, Transportation, and Utilities	345,800	18.63%	385,100	18.59%
Education and Health Services	298,000	16.05%	255,900	12.35%
Manufacturing	228,000	12.28%	300,200	14.48%
Government	194,100	10.46%	240,100	11.58%
Leisure and Hospitality	185,900	10.01%	191,300	9.23%
Financial Activities	99,900	5.38%	118,000	5.69%
Other Services	75,300	4.06%	91,800	4.43%
Mining, Logging, and Construction	57,800	3.11%	90,800	4.38%
Information	26,800	1.44%	32,400	1.56%
Total	1,856,500	100.00%	2,072,600	100.00%

Notes:

(1) Number of jobs is presented for the Detroit, Livonia, Warren metropolitan area.

(2) Source: Bureau of Labor Statistics

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City of Center Line

FULL TIME CITY GOVERNMENT EMPLOYEES BY FUNCTION

2004-2013
(Unaudited)

Function	Full-time Employees			
	2004	2005	2006	2007
General government	8	9	9	8
Public safety				
Sworn officers and dispatchers	33	30	30	30
Building inspection	1	1	1	1
Public works	11	10	10	10
Recreation and culture	5	5	4	4
Total	58	55	54	53

Note:

(1) Source: City of Center Line Treasurer's office.

as of June 30					
2008	2009	2010	2011	2012	2013
7	7	4	5	5	5
29	28	25	22	20	22
1	1	1	1	1	1
9	9	9	8	6	5
4	4	3	3	2	-
50	49	42	39	34	33

City of Center Line

OPERATING INDICATORS BY FUNCTION

2004-2013
(Unaudited)

Function	2004	2005	2006	2007
Public safety⁽⁵⁾				
Physical arrests	936	1,070	938	869
Parking violations	159	138	106	151
Traffic violations	8,657	9,480	7,535	7,898
Emergency fire responses	62	70	77	60
Public works⁽⁶⁾				
Average daily water consumption and sewer treatment (gallons)	-	-	- ⁽⁴⁾	1,096,438
Peak daily water consumption (gallons)	-	-	-	- ⁽⁴⁾
Water rates				
Per 1,000 cubic feet	\$ 14.8700	\$ 15.7800	\$ 16.3600	\$ 17.1700
Per 1,000 gallons ⁽³⁾	N/A	N/A	\$ 2.1870	\$ 2.2953
Sewer rates				
Per 1,000 cubic feet	\$ 22.1000	\$ 23.3800	\$ 23.9700	\$ 26.7400
Per 1,000 gallons ⁽³⁾	N/A	N/A	\$ 3.2040	\$ 3.5746
Garbage/Solid Waste rate	\$ 9.3900	\$ 7.7500	\$ 7.7500	\$ 7.5000
Recreation and culture⁽⁷⁾				
Volumes in library collection	34,563	34,877	35,402	37,849
Volumes borrowed from library	45,077	47,207	43,465	43,672

Notes:

- (1) Water and public safety data are reported on a calendar year basis.
- (2) Library and utility rate data are reported on a fiscal year basis.
- (3) All meters reported in cubic feet prior to 2006.
- (4) Average daily water consumption and peak daily water consumption figures were not readily available prior to 2006 and 2007 respectively. 2011 peak figure was estimated due to malfunctioning City meter.
- (5) Source: City of Center Line Public Safety Director.
- (6) Source: City of Center Line Public Works Director.
- (7) Source: City of Center Line Library Director.

2008	2009	2010	2011	2012	2013	
747	551	455	286	576	-	(1)
112	116	117	64	52	-	(1)
6,915	5,179	4,609	3,193	2,853	-	(1)
80	83	211	242	256	-	(1)
513,151	691,780	641,644	730,411	734,521	-	(1)
1,170,000	1,460,000	1,060,000	1,100,000	(4) 1,170,000	-	(1)
\$ 26.8031	\$ 26.8031	\$ 26.8031	\$ 26.8031	\$ 26.8031	\$ 26.8031	(2)
\$ 3.5831	\$ 3.5831	\$ 3.5831	\$ 3.5831	\$ 3.5831	\$ 3.5831	(2)
\$ 44.0929	\$ 41.0929	\$ 44.0929	\$ 44.0929	\$ 44.0929	\$ 44.0929	(2)
\$ 5.8944	\$ 5.4933	\$ 5.8944	\$ 5.8944	\$ 5.8944	\$ 5.8944	(2)
\$ 7.5000	\$ 7.5000	\$ 9.0000	\$ 11.0000	\$ 12.0000	\$ 12.0000	(2)
39,062	43,167	42,169	40,408	51,444	56,086	(2)
45,373	44,510	44,351	42,550	39,697	38,789	(2)

City of Center Line
CAPITAL ASSET STATISTICS BY FUNCTION
2004-2013
(Unaudited)

Function	2004	2005	2006	2007
Public safety ⁽¹⁾				
Police protection				
Number of stations	1	1	1	1
Fire protection				
Number of stations	1	1	1	1
Public works ⁽²⁾				
Streets (miles)				
Primary streets	6.81	6.81	6.81	6.81
Secondary streets	18.47	18.47	18.47	18.47
Traffic signals	12	12	12	12
Water				
Mains (miles)	33.81	33.81	33.81	33.81
Fire hydrants	356	356	356	356
Storage capacity (gallons)	2,345,560	2,345,560	2,345,560	2,345,560
Sewer				
Sanitary sewers (miles)	29.55	29.55	29.55	29.55
Storm sewers (miles)	26.54	26.54	26.54	26.54
Recreation and culture ⁽³⁾				
Parks (acres)	30	30	30	30
Playgrounds	4	4	4	4
Pavilions	4	4	4	4
Softball and baseball fields	6	6	6	6

Notes:

- (1) Source: City of Center Line Public Safety Director.
- (2) Source: City of Center Line Public Works Director.
- (3) Source: City of Center Line Recreation Director.

2008	2009	2010	2011	2012	2013
1	1	1	1	1	1
1	1	1	1	1	1
6.81	6.81	6.81	6.81	6.81	6.81
18.47	18.47	18.47	18.47	18.47	18.47
12	12	12	11	11	11
33.81	33.81	33.81	33.81	33.81	33.81
356	356	356	356	356	356
2,345,560	2,345,560	2,345,560	2,345,560	2,345,560	2,345,560
29.55	29.55	29.55	29.55	29.55	29.55
26.54	26.54	26.54	26.54	26.54	26.54
30	30	30	30	30	30
4	4	4	4	4	4
4	4	4	4	4	4
6	6	6	6	6	5

City of Center Line
STATE-SHARED REVENUES AND
GAS AND WEIGHT TAXES

2004-2013
(Unaudited)

STATE-SHARED REVENUES

Fiscal Year Ended June 30	Amount
2004	\$ 1,053,733
2005	1,034,840
2006	1,027,807
2007	1,001,323
2008	998,627
2009	964,912
2010	858,193
2011	858,193
2012	805,267
2013	835,099

GAS AND WEIGHT TAXES (ACT 51)

Fiscal Year Ended June 30	Type of Street		Total Gas and Weight Tax (Act 51) Receipts
	Major Streets	Local Streets	
2004	\$ 331,812	\$ 132,930	\$ 464,742
2005	329,409	132,202	461,611
2006	318,084	127,655	445,739
2007	317,254	127,233	444,487
2008	312,123	125,391	437,514
2009	325,585	130,609	456,194
2010	294,997	118,341	413,338
2011	299,371	120,116	419,487
2012	313,205	121,715	434,920
2013	314,299	125,225	439,524

Note:

(1) Source: City of Center Line Treasurer's Office

City of Center Line
LABOR AGREEMENTS
(Unaudited)

<u>Name</u>	<u>Contract Expiration Date</u>	<u>Actual Number of Employees Covered</u>
UNION EMPLOYEES		
Clerical / Office Employees Governmental Employees Labor Council (GELC)	2/29/2016	2
Department of Public Works Employees AFSCME, Local 1103, Council 25	6/30/2012	4
Public Safety Command Officers Command Officers Association of Michigan (COAM)	6/30/2014	2
Public Safety Patrol Officers and Dispatchers Police Officers Association of Michigan (POAM)	6/30/2014	18
NON-UNION EMPLOYEES		
City Manager and Clerk	N/A	1
City Finance Director and Treasurer	N/A	1
Chief Building Inspector	N/A	1
Department of Public Works Superintendent	N/A	1
Public Safety Director	N/A	1

Note:

(1) Source: City of Center Line Treasurer's office.



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October 22, 2013

Management and the City Council
City of Center Line
Center Line, Michigan

We have completed our audit of the financial statements of City of Center Line as of and for the year ended June 30, 2013 and have issued our report dated October 22, 2013. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

- I. Auditors' Communication of Significant Matters with Those Charged with Governance
- II. Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- III. Other Comments

We discussed these matters with various personnel in the organization during the audit and are have already met with management. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the City Council, and others within the City, and are not intended to be and should not be used by anyone other than those specified parties.

Yeo & Yeo, P.C.
Saginaw, Michigan

Appendix I

Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated May 1, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies are described in Note A of the financial statements. The City has adopted new accounting guidance: GASB Statements No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*; GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*; and No. 65, *Items Previously Reported as Assets and Liabilities*. The new standards provide guidance for reporting deferred outflows of resources, deferred inflows of resources and net position in a statement of financial position and related disclosures. We noted no transactions entered into by the City during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.

The City's most significant estimates in the financial statements are the useful lives of its capital assets and the other post employment benefit calculation. Useful lives are estimated based on the expected length of time during which the asset is able to deliver a given level of service. The factors used in management's estimate of other post-employment benefits calculation include: life expectancy, historical insurance costs, probability of retirement, and the applicable federal interest rates in effect at the time of the calculation. We have evaluated management's estimates in these areas and the process used for making the accounting estimates, the risk of material misstatement, and the indication of possible bias and disclosure and uncertainty in the financial statements. We feel the estimates have been properly recorded and evaluated by management.

Disclosures in the financial statements are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial, and communicate them to the

appropriate level of management. There were no misstatements detected as a result of audit procedures that were more than trivial.

Management has determined that the effects of the uncorrected misstatement below is immaterial both individually and in the aggregate, qualitatively and quantitatively, to the financial statements taken as a whole.

Revenue in the general fund was overstated by \$12,462 due to an uncorrected misstatement of deferred revenue.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report. We had no disagreements with management during the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Report on Supplementary Information

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Appendix II

Communication of Internal Control Matters Identified During the Audit

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Independent Auditors' Report

Management and the City Council
City of Center Line

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Center Line as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Center Line's basic financial statements, and have issued our report thereon dated October 22, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Center Line's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Center Line's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Center Line's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Center Line's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Yeo & Yeo, P.C.

Saginaw, MI

October 22, 2013

Appendix III Other Comments

In planning and performing our audit of the financial statements of City of Center Line as of and for the year ended June 30, 2013, we considered City of Center Line's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls. This letter does not affect our report dated October 22, 2013, on the financial statements of City of Center Line. Our comments and recommendations regarding those matters are:

Segregation of Duties

In our prior year management letter we noted that segregation of duties is an area that could be improved, this continues to be a recommendation in the current year. We understand the fact that the City has limited accounting staff; however we noted that controls could be improved related to monitoring activities. We noted during the course of our audit that many good internal control procedures have been designed and disseminated. We also noted that these internal control procedures appear to be functioning properly.

We noted that there could be more monitoring of higher level controls, specifically relating to journal entries, bank reconciliations and EFT transactions. Adding a higher level of initiation, review and approval will ensure that all transactions are being looked at from more than one person within the City. This will allow Management to ensure all aspects of internal control are being implemented as designed, thus helping to prevent or detect errors or fraud on a timely basis. A good internal control system should also protect the individuals in the key roles.